

## EUROPEAN LARGER COMPANIES FUND A-EURO

30 SEPTEMBER 2018

Portfolio manager: Matthew Siddle

Performance for 12 month periods in EUR (%)

## Performance over quarter in EUR (%)

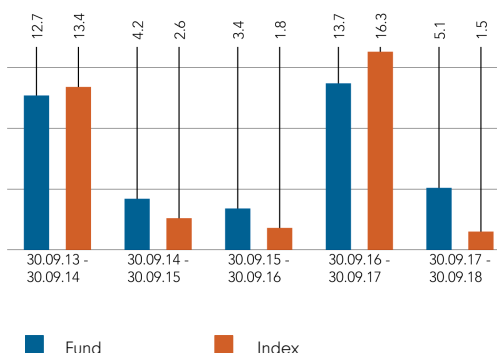
Fund 0.8

Market index 1.3

MSCI EUROPE (N)

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in EUR, net of fees. Other share classes may be available. Please refer to the prospectus for more details.



## Market Environment

European equities ended a volatile quarter in positive territory. Markets were aided by easing trade tensions between the US and Europe, and strong corporate earnings. The European Central Bank's (ECB) continued accommodative monetary policy stance also supported equities. It left key interest rates unchanged and announced that it expects to completely phase-out its quantitative easing programme by the end of 2018. There were intermittent periods of volatility, primarily due to continued concerns over a trade war between the US and China. Additionally, hopes of a softer Brexit suffered a setback, which added to volatility. Italy's higher than expected budget deficit target also hampered sentiment. At a sector level, health care and energy were among the key performers, while real estate and communication services declined the most. Data released in August showed that the eurozone's GDP grew 0.4% in the second quarter of 2018 (latest figures available as GDP is a lagging economic indicator). The economy grew despite negative net trade as business and other investments rose sharply. Meanwhile, the UK's GDP grew by 0.4%, driven by robust growth in the services sector. The eurozone's final composite Purchasing Managers' Index (PMI) declined in the third quarter compared to the previous quarter, as manufacturing sector activity slowed down due to rising trade protectionism and Brexit-related concerns. Higher oil prices lifted the headline inflation above 2.0% in September, but core inflation declined to 0.9%, well below the ECB's 2% target.

## Fund Performance

The fund generated positive returns but underperformed the index over the quarter. Positions in communication services, consumer discretionary and consumer staples hurt relative performance.

On a positive note, selected holdings in the financials and energy sectors and the overweight positioning in information technology (IT) added notable value.

## Selected communication services stocks fell

Advertising company Publicis reported weak second quarter results. Investors focused on its organic sales growth in the US and Europe, which was much worse than expected, primarily due to one-off factors. However, its earnings beat expectations, driven by strong margins, and it maintained its 2018 organic growth guidance.

## Consumer holdings held back gains

Associated British Foods fell despite robust growth in its retail stores business Primark, as a fall in sugar prices weighed on its earnings. I used the share price weakness as an opportunity to add to the position. Elsewhere, online food delivery platform Just Eat retreated on news that Uber was in early talks to acquire key competitor Deliveroo.

## Financials, energy and IT added value

Insurance company AXA rallied as asset disposals re-strengthened its balance sheet following its acquisition of XL Group. Norwegian bank DNB also performed well. Oil services company John Wood Group and IT companies SAP and Amadeus IT were among the largest contributors to returns, driven by strong interim results.

## Fund Positioning

The fund's positioning remains largely unchanged, as I continue to focus on stock picking. The biggest overweights are in the IT, health care and industrials sectors. Meanwhile, I have a modestly underweight stance in commodities, driven by my bias towards the energy sector and an underweight stance in materials. I sold or reduced some positions during the quarter as valuations have risen on a number of stocks.

## Remain overweight in companies with stable cashflows

I continue to position the fund defensively, even though I have a marginal underweight in defensive sectors. This is due to the exposure to more stable business models within cyclical sectors such as SAP in IT and Wolters Kluwer in industrials.

## Positioning changes due to MSCI sector reclassification

The underweight positioning in communication services (previously named as telecommunication services) was lowered as the holding in media company Publicis was reclassified from consumer discretionary to communication services. Elsewhere, online food delivery platform Just Eat moved from IT to consumer discretionary, resulting in a reduction of the overweight exposure to IT.

## Took profits in strong performers

I took some profits in Shire, Siemens Healthineers and Wolters Kluwer. Elsewhere, I sold positions in an information and analytics company and a Spanish utility company as they have become less compelling on valuation grounds. New holdings were purchased in chemicals company BASF and steel production company ArcelorMittal.

## Important Information

Past performance is not a reliable indicator of future results. The fund's returns can be affected by fluctuations in currency exchange rates.

The value of investments and any income from them may go down as well as up and an investor may not get back the amount invested. The use of financial derivative instruments may result in increased gains or losses within the fund.

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## Attribution

Performance attribution is produced in the currency shown below. For funds with multiple share classes, the attribution return reflects the aggregate performance across all the share classes. It may therefore deviate from the published return for a particular share class. When using the analysis for hedged share classes, please consider that the attribution is shown before the impact of hedging.

The contributions shown in the tables are before the impact of charges. If charges are applied, their effect is captured in the "Other" category in the tables and will also be reflected in the fund return.

All investments, including derivatives, linked to a particular issuing company have been combined to form a total percentage for each issuing company.

The sector/industry and country contribution tables (where relevant) display a maximum of eleven individual sectors/industries or countries. For funds investing in more than eleven sectors/industries or countries, only top five and bottom five are listed, with the contribution from other sectors/industries or countries shown in the "Other Sectors" or "Other Countries" category.

Currency of attribution Euro (EUR)

Three month relative return (%) -0.03

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
WOOD (JOHN) GROUP PLC	2.6	0.55	PUBLICIS GROUPE SA	3.4	-0.51
WOLTERS KLUWER NV	3.6	0.38	ASSOCIATED BRITISH FOODS PLC	1.7	-0.31
AXA SA	2.7	0.25	JUST EAT PLC	1.5	-0.25
DNB ASA	3.4	0.23	NOVARTIS AG	-2.0	-0.24
SAP SE	3.9	0.22	BARCLAYS PLC (UNGTD)	2.2	-0.23
AMADEUS IT GROUP SA	1.2	0.21	SAGE GROUP PLC	1.8	-0.16
ROCHE HOLDING LTD	2.6	0.21	RANDSTAD NV	1.7	-0.15
SANOFI	2.2	0.20	KERING SA	2.5	-0.14
MEGGITT PLC	1.5	0.20	RYANAIR HOLDINGS PLC	0.7	-0.13
HSBC HOLDINGS PLC	-2.0	0.14	INDUSTRIA DE DISEÑO TXTL IN SA	0.9	-0.12

Positions in other funds - including ETFs (Exchange Traded Funds) - can appear in this table, but index derivatives form part of an "Index / Unclassified" category which will appear in the table(s) below when relevant.

## Sector/Industry Contribution (%)

3 months

## Country Contribution (%)

3 months

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
<b>GICS Sector</b>				
Financials	-1.6	0.29	0.25	0.53
Information Technology	3.4	-0.15	0.56	0.41
Energy	2.9	0.28	0.09	0.37
Health Care	4.3	0.30	-0.21	0.09
Real Estate	-1.4	0.00	0.07	0.07
Materials	-5.9	-0.16	0.20	0.04
Utilities	-1.4	-0.01	0.03	0.02
Industrials	2.7	0.31	-0.32	-0.01
Communication Services	-1.5	-0.54	0.17	-0.37
Consumer Discretionary	-2.4	-0.30	-0.23	-0.52
Consumer Staples	-1.4	-0.48	-0.16	-0.64
Index / Unclassified	0.1	0.00	0.00	0.00
<b>Total Primary Assets</b>	<b>-2.0</b>	<b>-0.46</b>	<b>0.45</b>	<b>-0.01</b>
Other*	2.0			-0.03
<b>TOTAL</b>	<b>0.0</b>			<b>-0.03</b>

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Netherlands	4.0	0.48	-0.08	0.41
Spain	-0.1	0.24	0.02	0.25
Italy	-3.6	0.01	0.20	0.20
Norway	2.4	0.02	0.16	0.18
Belgium	-1.7	0.00	0.10	0.10
Finland	-1.6	0.00	-0.04	-0.04
Ireland	-0.2	-0.10	0.01	-0.09
Sweden	-3.0	-0.07	-0.18	-0.25
Switzerland	-6.7	0.12	-0.42	-0.30
France	-1.8	-0.43	-0.03	-0.46
Other Countries	10.2	0.24	-0.25	-0.02
Index / Unclassified	0.1	0.00	0.00	0.00
<b>Total Primary Assets</b>	<b>-2.0</b>	<b>0.51</b>	<b>-0.52</b>	<b>-0.01</b>
Other*	2.0			-0.03
<b>TOTAL</b>	<b>0.0</b>			<b>-0.03</b>

\*Other includes portfolio components not already listed such as cash, expenses and other miscellaneous items.

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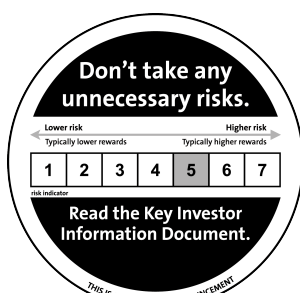
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