

GLOBAL FINANCIAL SERVICES FUND A-EURO

30 SEPTEMBER 2018

Portfolio manager: Sotiris Boutsis

Performance for 12 month periods in EUR (%)

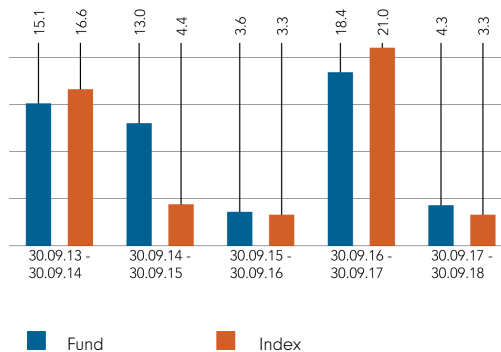
Performance over quarter in EUR (%)

Fund	3.1
Market index	3.0

MSCI AC World Financials (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

Global equities generated positive returns over the quarter. Encouraging corporate earnings and easing trade tensions between the US and Europe supported sentiment. However, continued US-China trade tensions and concerns around emerging markets led to elevated volatility. At a regional level, US equities rallied on strong economic growth and robust earnings data. On the monetary policy front, the US Federal Reserve (Fed) raised interest rates for the third time this year in September. Moreover, the central bank removed the term "accommodative" from its policy statement, which marked a rhetorical shift in its monetary policy outlook. Markets in the eurozone 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. However, banking stocks were weighed down by concerns over exposure to emerging markets as well as worries over the Italian budget. UK equities declined, as investor sentiment was weighed down by uncertainty related to Brexit negotiations. Hopes for a softer Brexit suffered a setback as there was no breakthrough in talks between the UK and European Union (EU) at their summit meeting in Austria. The Japanese market gained amid a weaker yen against the US dollar and improving corporate profits. Prime Minister Shinzo Abe won a third term as President of the Liberal Democratic Party and later agreed to enter into bilateral trade talks with the US. This precluded the imposition of additional tariffs on automobile imports from Japan. Elsewhere, emerging markets lagged developed markets as the strong US dollar, trade frictions, and the economic crises in Turkey and Argentina weighed on investor sentiment. At a sector level, health care, information technology (IT) and industrials were the key gainers. Financials stocks also advanced, with the diversified financial services and insurance sub-sector among the leading gainers.

Fund Performance

The fund generated positive returns and outperformed the index over the quarter. Strong security selection in IT services and diversified financial services contributed to relative performance.

Strong security selection aided returns

Payment processing company Worldpay enhanced gains. It posted upbeat quarterly results and raised its full-year guidance, driven by cost savings and strength in the merchant solutions business in the UK. Not holding HSBC added relative value as it reported muted quarterly results due to lower revenues.

Insurance holdings advanced

French reinsurer Scor rose as an acquisition offer by Covea lifted investor sentiment. Scor's diversified book and balanced portfolio of life and property & casualty (P&C) reinsurance bode well for its growth. Arthur J. Gallagher advanced as recent merger and acquisition activity in the claims management industry, where it primarily operates, should support its growth and valuation. The strong macroeconomic backdrop and stable P&C pricing environment are also likely to boost its earnings growth.

Selected banks declined

Shares in Sberbank came under pressure in the broad sell-off after the US imposed sanctions against Russia. The stock was sold as macroeconomic concerns are likely to offset its strong fundamentals in the near term. Wells Fargo fell as it posted weak second quarter results, due to lower fee income. Nonetheless, it registered an increase in its net interest income and its credit quality remains stable. E Trade Financial declined as its second quarter results met cost control targets, but it missed its revenue estimates. However, the company's restructuring efforts should boost its earnings.

Fund Positioning

Equity markets are benefiting from upbeat economic growth and strong corporate earnings. Fiscal stimulus, loan growth, high savings ratio and wage growth are prompting the US Fed to increase the pace of interest rate hikes. Trade-related uncertainties and demanding valuations warrant a cautious approach. Against this backdrop, I prefer quality companies with healthy balance sheets and credible management teams that are trading at reasonable valuations.

Optimistic on fintech theme

Worldpay and Visa are key active positions that are likely to benefit from the ongoing global secular shift towards card-based payments and e-commerce. Visa has a strong market position with high barriers to entry and pricing power.

Remain selective within banks and insurance

The fund has an underweight stance in banks, with selected holdings in JPMorgan Chase & Co. and KeyCorp, where I see upside potential. The former is investing in digital platforms to gain disruptive market share. The latter's subsidiary, KeyBank, has improved its commercial banking infrastructure and is on-track to achieve synergies following its merger with First Niagara. A new holding was purchased in Germany-based Hannover Rückversicherung. The company offers life, health, accident, property and high-risk specialty reinsurance. It has one of the highest Solvency II ratio among its peers.

New opportunities

I bought a new position in KKR, which manages investments such as private equity, energy, infrastructure, real estate, credit strategies and hedge funds. The company is supported by strong industry trends, which is driving managed assets and management fees higher.

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. This fund targets specific industries. This can make it more volatile than funds with more diversified portfolios.



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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 (%) 0.55

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
WORLDPAY INC	1.5	0.29	E TRADE FINANCIAL CORP	1.3	-0.24
HSBC HOLDINGS PLC	-2.3	0.20	SBERBANK RUSSIA	0.2	-0.22
ESSENT GROUP LTD	1.1	0.19	WELLS FARGO & CO NEW	1.5	-0.18
SCOR SE	0.9	0.19	RSA INS GROUP PLC	0.8	-0.17
GALLAGHER (ARTHUR J.) & CO	1.6	0.18	PUNJAB NATIONAL BANK	0.3	-0.15
HANNOVER REINS CORP	1.4	0.16	WILLIS TOWERS WATSON PLC	1.4	-0.15
KASIKORNBANK PCL	1.3	0.14	HOUSING DEV FINANCE CORP LTD	0.8	-0.15
BERKSHIRE HATHAWAY INC DEL	1.1	0.12	HDFC BANK LTD	1.0	-0.14
BROADRIDGE FINL SOLUTIONS INC	1.0	0.12	CITIGROUP INC	-2.2	-0.11
VISA INC	1.1	0.11	UNICREDIT SPA	0.4	-0.08

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.

Country Contribution (%)

3 months

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
United States	8.8	0.34	0.15	0.48
Germany	3.8	0.11	0.14	0.26
Thailand	2.1	-0.10	0.31	0.21
France	0.5	0.18	0.02	0.20
Spain	-0.8	0.12	0.06	0.18
Japan	-1.6	-0.01	-0.11	-0.12
Sweden	-1.5	0.00	-0.15	-0.15
Russia	0.1	-0.03	-0.18	-0.21
Canada	-6.7	0.01	-0.23	-0.22
India	2.4	0.14	-0.37	-0.23
Other Countries	-8.6	0.01	0.15	0.16
Total Primary Assets	-1.5	0.77	-0.20	0.57
Other*	1.5			-0.02
TOTAL	0.0			0.55

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

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