

Portfolio manager: Victoire De Trogoff

Performance over quarter in EUR (%)

Fund 1.2

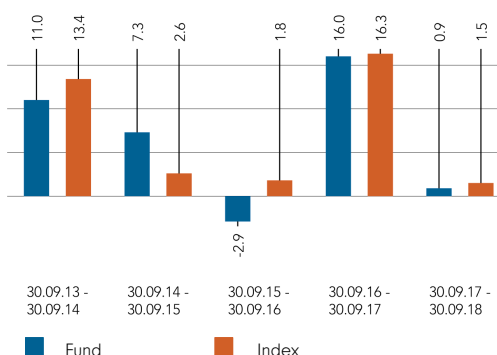
Market index 1.3

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.

Performance for 12 month periods in EUR (%)



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 marginally underperformed the index over the quarter. Equities remained volatile, prompting investors to favour defensive stocks. Against this backdrop, an overweight stance in the health care sector proved favourable. Consumer staples and energy holdings also added value, while consumer discretionary and financials holdings detracted from returns.

Health care holdings rose

Shares in life sciences company Lonza rose after it reported robust half-year profits. The company also announced new investments to support its growth in biotechnology. The position in medical technology company Getinge advanced as its second quarter numbers highlighted an early turnaround in sales and order intake. The company's management team remains positive on underlying sales momentum and stabilising profit margins in the current year.

Selected positions advanced on encouraging prospects

Schibsted, the European leader in online classifieds, announced its intention to spin-off its international online classifieds operations as an independent company, a potentially value-creating operation. The position in professional services provider Wolters Kluwer performed well. Its digital platforms now form a large part of its activity, and are growing rapidly.

Some stock-specific weakness

Shares in telecommunication services provider Iliad fell on weak half-year results. The group has adapted by changing its commercial policy, introducing more granularity in its fee schedule and initiating customer retention offers, which should boost numbers going forward. In addition, growth in fibre services should lead to improved profit margins.

Fund Positioning

The fund is well diversified and I aim to keep a balanced portfolio, with most risk and return expected to come from stock-specific factors. I continue to identify companies with inflection potential, that should see their profitability improve significantly over the next three years.

Overweight in health care maintained

The fund has active positions in Getinge, Shire, Lonza Group and Qiagen. Within the sector, profits were taken in health care equipment provider EssilorLuxottica, following the completion of the merger between Essilor and Luxottica.

Prefer restructuring opportunities

Chemicals company Linde is among the largest active holdings in the fund. The company is expected to benefit from the synergies arising from its ongoing merger with Praxair. Aerospace and defence company Leonardo is also a preferred restructuring opportunity.

Changes in the portfolio

A new position was purchased in electric utility E.ON. Following the completion of its recent acquisition and asset swap, the company's business mix will become simpler and more focused on distribution networks. 75% of its business will be as a regulated electricity network operator, where growth is driven by the evolution of renewable power sources. Conversely, the position in Sports Direct, a sporting goods distributor in the UK, was sold after its share price rose.

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 invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

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 (%) -0.13

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
SCHIBSTED AS	1.9	0.41	ILIAD GROUP SA	2.3	-0.45
GETINGE AB	1.8	0.38	ESSENTIA PLC	1.7	-0.30
EDENRED	1.9	0.35	SWATCH GROUP AG	1.5	-0.28
LONZA GRP AG	1.4	0.35	JULIUS BAER GROUP LTD	1.6	-0.26
WOOD (JOHN) GROUP PLC	1.4	0.30	NOVARTIS AG	-2.0	-0.24
WOLTERS KLUWER NV	1.9	0.19	WEIR GROUP PLC	1.4	-0.19
NESTLE SA	2.1	0.14	RUBIS & CIE SA	1.2	-0.19
HSBC HOLDINGS PLC	-2.0	0.14	INDUSTRIA DE DISEÑO TXTL IN SA	1.4	-0.17
LEONARDO SPA	0.7	0.13	SAGE GROUP PLC	1.6	-0.15
ANHEUSER BUSCH INBEV SA NV	-0.8	0.12	CRH PLC	1.7	-0.14

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
GICS Sector				
Health Care	6.2	0.13	0.60	0.73
Industrials	1.6	0.41	-0.11	0.30
Consumer Staples	-2.2	0.27	-0.05	0.22
Energy	0.8	0.11	0.04	0.15
Real Estate	-1.4	0.00	0.07	0.07
Information Technology	-0.2	-0.23	0.27	0.04
Communication Services	0.7	-0.12	0.15	0.02
Utilities	-1.2	-0.31	0.08	-0.23
Materials	0.7	-0.30	0.07	-0.24
Financials	-4.6	-0.40	0.07	-0.33
Consumer Discretionary	-2.2	-0.44	0.07	-0.37
Total Primary Assets	-1.9	-0.88	1.25	0.37
Other*	1.9			-0.50
TOTAL	0.0			-0.13

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Norway	0.7	0.33	0.02	0.35
Netherlands	-3.4	0.24	0.07	0.31
Italy	-1.0	0.14	0.05	0.19
United Kingdom	2.1	0.19	-0.05	0.14
Sweden	-2.4	0.27	-0.14	0.12
Finland	-1.6	0.00	-0.04	-0.04
Spain	-1.0	-0.20	0.06	-0.14
Ireland	2.8	0.02	-0.18	-0.16
Switzerland	2.4	-0.46	0.14	-0.32
France	3.1	-0.40	0.06	-0.34
Other Countries	-3.5	0.13	0.12	0.25
Total Primary Assets	-1.9	0.26	0.11	0.37
Other*	1.9			-0.50
TOTAL	0.0			-0.13

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

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