

Portfolio manager: Angel Agudo

## Approach and Style

## Performance over quarter in USD (%)

Fund	0.8
Market index	0.8

S&P 500 (N)

Angel Agudo looks to invest in companies that are undervalued, either because they are out of favour or little value is given to their recovery potential. When investing, the potential downside risk of a company is taken into account, with a strong balance sheet or resilient business model resulting in stronger conviction and a higher weighting. Angel runs a relatively concentrated portfolio with a low level of turnover and some value characteristics.

Market index is for comparative purposes only.

These figures relate to the fund's past performance, which is not a reliable indicator of future results. 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. Source of fund performance is Fidelity. Basis: nav-nav with gross income reinvested, in USD, net of fees.

## Market Environment

US equities rose for a ninth straight quarter, buoyed by a largely positive earnings season and strong economic data. However, concerns over global economic growth, a surging US dollar and interest rate speculation led to periods of volatility. During its March meeting, the US Federal Reserve (Fed) dropped its pledge to be "patient" before starting to normalise the monetary policy. Nevertheless, the central bank made it clear that the timing of the first interest rate rise would be dictated by unfolding economic developments. In particular, the Fed will wait to see "further improvement" in the US labour market and a pickup in inflation towards its 2% target. Moreover, the Fed indicated that interest rate increases would be implemented at a "slower pace". Against this backdrop, the health care and consumer discretionary sectors registered the largest gains, while the utilities and energy sectors were the biggest laggards.

## Fund Performance

The portfolio performed in line with the index during the quarter. Stock selection in the health care sector was the primary contributor to returns. Within health care, both health maintenance organisations (HMO) and pharmaceuticals stocks added value.

### Holdings in HMOs added value

Cigna, Centene and Anthem enhanced gains as all three companies reported better-than-expected results. HMOs also advanced after the government announced that the Affordable Care Act has expanded health coverage to 16.4 million people who were previously uninsured.

### Pharmaceuticals supported returns

Mallinckrodt contributed to performance as investor sentiment remained positive given the company's strong product portfolio and potential benefits from its acquisition of Ikaria. Pfizer also advanced after it announced that it will acquire Hospira.

### Stock-specific factors detracted from performance

Offshore contract drilling services provider Rowan Companies declined after it reported lower-than-expected quarterly earnings. The position in Hewlett-Packard also detracted from returns as it issued a disappointing outlook for the current fiscal year. The company faces medium-term headwinds due to lower projected sales of desktop personal computers and the strengthening US dollar. Elsewhere, the underweight stance in Apple hurt relative performance.

## Fund Positioning

The fund has an overweight allocation to the health care and information technology (IT) sectors. I also moved the industrials and consumer staples sectors to an overweight position.

### Bias towards health care and IT

The fund retained the overweight exposure to the health care and IT sectors, largely due to bottom-up, company-specific factors. Both sectors offer a combination of attractive valuations and earnings growth potential based on innovation and structural change. Furthermore, they are expected to benefit from the recent uptrend in merger and acquisition activity. In health care, I focus on pharmaceutical firms that have underappreciated drug pipelines, as well as on service providers that stand to benefit from health care reforms. Within IT, the largest exposure is to software stocks that have strong balance sheets, good growth and rational capital allocation.

### Exposure to industrials and consumer staples

The industrial sector comprises of a wide range of different companies; holdings in the sector include a leading professional services company and a leading aerospace and defence company. Within consumer staples, the largest exposure is to food manufacturers. Elsewhere, after reducing the allocation to media stocks, the fund is underweight in the consumer discretionary sector. I also have no holdings in the materials and utilities sectors. While I remain underweight in energy, I am looking for value opportunities within the sector following a significant market correction due to the steep decline in oil prices.

## 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 ten individual sectors/industries or countries. For funds investing in more than ten 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	US Dollar (USD)
Three month relative return (%)	0.50

## Position Contribution (%)

**3 months**

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
CIGNA CORP	1.7	0.35	APPLE INC	-2.8	-0.33
MALLINCKRODT PLC	1.4	0.35	HEWLETT-PACKARD CO	0.9	-0.25
CENTENE CORP DEL	1.2	0.34	WAL-MART STORES INC	1.3	-0.19
ANTHEM INC	1.7	0.32	EMC CORP	0.8	-0.13
PFIZER INC	2.5	0.23	KELLOGG CO	1.9	-0.13
GRAHAM HLDGS CO	1.0	0.16	AMAZON.COM INC	-0.7	-0.12
ALTERA CORP	1.1	0.16	MICROSOFT CORP	0.4	-0.11
ELECTRONIC ARTS INC	0.5	0.15	MORGAN STANLEY	1.1	-0.11
BANK OF AMERICA CORPORATION	-0.9	0.15	ORACLE CORP	1.6	-0.11
ACTIVISION BLIZZARD INC	1.9	0.15	SYMANTEC CORP	0.9	-0.10

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**

### CONTRIBUTIONS TO RELATIVE RETURN

GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Health Care	7.3	0.85	0.55	1.40
Industrials	-0.8	-0.01	0.35	0.33
Utilities	-3.2	0.00	0.20	0.20
Telecommunication Services	0.7	0.10	0.01	0.11
Financials	-1.0	0.16	-0.13	0.03
Materials	-3.2	0.00	0.00	0.00
Energy	-2.8	-0.11	0.10	-0.01
Consumer Staples	0.0	-0.33	-0.02	-0.35
Consumer Discretionary	-4.3	-0.21	-0.22	-0.44
Information Technology	1.9	-0.61	-0.02	-0.63
<b>Total Primary Assets</b>	<b>-5.3</b>	<b>-0.17</b>	<b>0.82</b>	<b>0.65</b>
Other*	5.3			-0.15
<b>TOTAL</b>	<b>0.0</b>			<b>0.50</b>

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

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