



# Fidelity Europe Fund

## Quarterly Investment Review

December 31, 2024

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## Overview

**INCEPTION DATE:** January 02, 2001  
**BENCHMARK:** MSCI Europe Index  
**FUND MANAGER:** Sam Morse, Aruna Karunathilake

### OBJECTIVE

The Fund seeks to achieve long-term capital growth by investing primarily in equity securities of companies located mainly in the United Kingdom and Continental Europe, including the European Union and the European Free Trade Association.

### APPROACH

- A regional equity strategy that aims to offer exposure to companies in the European market.
- Leverages Fidelity's dedicated "on the ground" investment team and global resources.

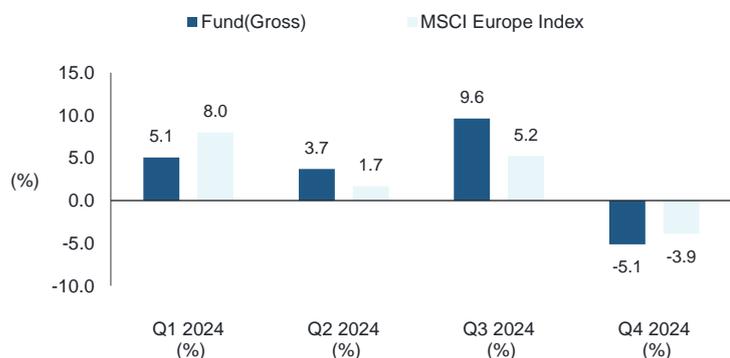
### PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity Europe Fund - Series O	5.06	3.71	9.62	(5.12)	13.32	13.32	5.66	5.81	6.79	5.52
MSCI Europe Index	7.99	1.67	5.23	(3.91)	11.02	11.02	5.68	7.10	7.28	4.22
Relative Return	(2.93)	2.04	4.39	(1.21)	2.30	2.30	(0.02)	(1.29)	(0.49)	1.30

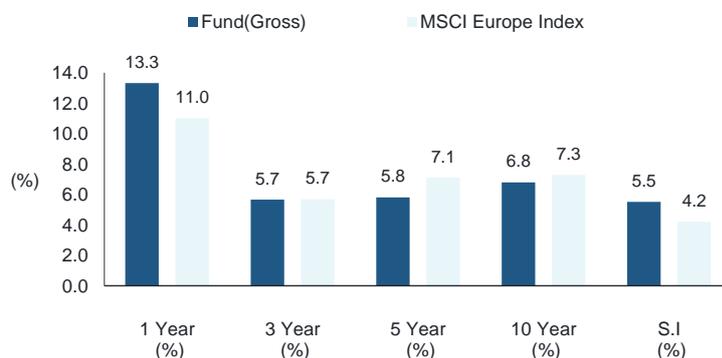
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

### Cumulative Quarterly Performance



### Annualized as of December 31, 2024



## Overview

### PERFORMANCE RETURNS (%): CALENDAR YEAR RETURNS

	Calendar Year Returns									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fidelity Europe Fund - Series O	13.32	16.83	(10.90)	12.60	(0.13)	17.74	(6.52)	18.83	(8.79)	21.85
MSCI Europe Index	11.02	16.67	(8.89)	15.31	3.53	17.52	(7.20)	17.26	(3.85)	16.52
Relative Return	2.30	0.16	(2.01)	(2.71)	(3.66)	0.22	0.68	1.57	(4.94)	5.33

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

## Quarterly Fund Commentary

- From a sector perspective, the Fund's investments in, and higher-than-benchmark exposure to, industrials detracted from relative performance, as did certain investments in financials.
- In industrials, investments in Ireland-based consumer credit reporting company Experian and Finland-based engineering company Kone detracted from relative returns. In financials, lack of exposure to a U.K.-based banking and financial services company detracted. In other sectors, investments in Denmark-based pharmaceutical company Novo Nordisk, France-based personal care company L'Oréal and Switzerland-based diversified natural resources company Glencore detracted.
- Higher-than-benchmark exposure to the information technology sector and investments in the consumer discretionary sector contributed to relative returns.
- In information technology, investments in U.K.-based software company Sage Group and Germany-based software and services firm SAP contributed to relative returns. In consumer discretionary, an investment in U.K.-based multinational hospitality company InterContinental Hotels Group contributed. In other sectors, investments in U.K.-based banking and insurance company NatWest Group, France-based eyewear company EssilorLuxottica and U.K.-based private equity firm 3i Group contributed.

## Annual Fund Commentary

- From a sector perspective, investments in consumer staples contributed to relative returns, as did higher-than-benchmark exposure to information technology.
- In consumer staples, investments in U.K.-based fast-moving consumer goods company Unilever and a U.K.-based multi-category consumer goods company contributed. In information technology, investments in Germany-based software and services firm SAP and a Sweden-based telecommunications company contributed. In other sectors, investments in U.K.-based banking and insurance company NatWest Group and a U.K.-based multinational bank contributed, as did an investment in Spain-based multinational clothing company Industria de Diseño Textil (Inditex).
- Lower-than-benchmark exposure to, and investments in, the industrials and health care sectors detracted from relative returns.
- In industrials, out-of-benchmark exposure to a Hungary-based passenger airline company and Ireland-based airline group Ryanair Holdings detracted from relative returns. In health care, lower-than-benchmark exposure to Denmark-based pharmaceutical company Novo Nordisk and to U.K.-based biopharmaceutical company AstraZeneca detracted. In other sectors, out-of-benchmark exposure to a France-based reinsurance company detracted, as did investments in U.K.-based consumer goods company Reckitt Benckiser Group and U.K.-based multinational insurance company Prudential.

## Positioning and Outlook

- The portfolio managers, Aruna Karunathilake and Sam Morse, believe that a cautious investment strategy is prudent, given recent earnings downgrades and the weak outlook reported in third-quarter results from European companies.
- In the managers' view, the resounding victory of the Republicans in November's U.S. election has shifted the economic landscape for 2025. In Europe, Fidelity's macro team anticipates a cyclical upswing in 2025 as falling inflation and lower interest rates help to revive corporate capital expenditures and boost consumer confidence. Stronger real disposable income and easier financing conditions are expected to unlock elevated excess savings to spur consumption growth.
- On monetary policy, the team notes that the European Central Bank is likely to cut rates quickly to 2.0%, with further gradual easing to 1.5% by the end of 2025. However, the team is mindful that Europe will face challenges, including shifts in U.S. trade and industrial policies, which are likely to weaken growth prospects and exert downward pressure on domestic inflation as external demand slows.
- Proposed U.S. tariffs pose a downside risk, particularly for the automotive sector, and resulting trade uncertainty could reduce growth by up to half a percentage point. The portfolio managers note that recent profit warnings from European industrial and automobile companies, alongside lacklustre sales in the consumer discretionary sector, raise doubts about the strength of Chinese demand.
- Germany, in particular, is expected to face the impact of these headwinds, compounded by political uncertainty due to snap elections scheduled for February.
- Against this backdrop, the portfolio management team will continue to maintain a balance in the portfolio by sector and focus on what they consider to be attractively valued companies with strong balance sheets that should be resilient even in a more difficult environment.

## Performance Attribution

SECTOR ATTRIBUTION SUMMARY - 3 MONTHS									
Sector	Average Fund Weight (%)	Average Benchmark Weight (%)	Relative Weight (%)	Fund Return (%)	Benchmark Return (%)	Relative Return (%)	Security Selection (bps)	Sector Selection (bps)	Total Relative Contribution (bps)
INFORMATION TECHNOLOGY	10.86	7.43	3.43	2.29	(0.62)	2.91	0	42	42
CONSUMER DISCRETIONARY	8.78	9.51	(0.73)	(0.89)	(3.20)	2.31	13	8	20
UTILITIES	1.42	4.11	(2.68)	(9.31)	(8.63)	(0.68)	(1)	14	13
REAL ESTATE	0.39	0.89	(0.50)	(9.58)	(12.65)	3.07	1	5	6
HEALTH CARE	15.94	15.70	0.24	(10.41)	(10.30)	(0.10)	9	(13)	(4)
COMMUNICATION SERVICES	1.60	3.63	(2.03)	(6.45)	(2.50)	(3.95)	(7)	1	(6)
ENERGY	5.57	4.81	0.76	(4.39)	(2.14)	(2.25)	(10)	(2)	(12)
CONSUMER STAPLES	11.82	10.56	1.26	(8.28)	(7.22)	(1.05)	10	(26)	(16)
MATERIALS	5.96	6.14	(0.18)	(15.36)	(11.68)	(3.68)	(14)	(9)	(23)
FINANCIALS	17.53	19.77	(2.25)	0.73	2.17	(1.44)	(41)	5	(36)
INDUSTRIALS	18.80	17.44	1.36	(6.77)	(1.42)	(5.35)	(51)	(45)	(96)
<b>SUBTOTAL</b>	<b>98.67</b>	<b>100.00</b>	<b>(1.33)</b>	<b>(5.20)</b>	<b>(3.91)</b>	<b>(1.29)</b>	<b>(91)</b>	<b>(20)</b>	<b>(111)</b>
CASH AND OTHER	1.33	-	-	-	-	-	-	-	(10)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>(5.12)</b>	<b>(3.91)</b>	<b>(1.21)</b>	<b>-</b>	<b>-</b>	<b>(121)</b>

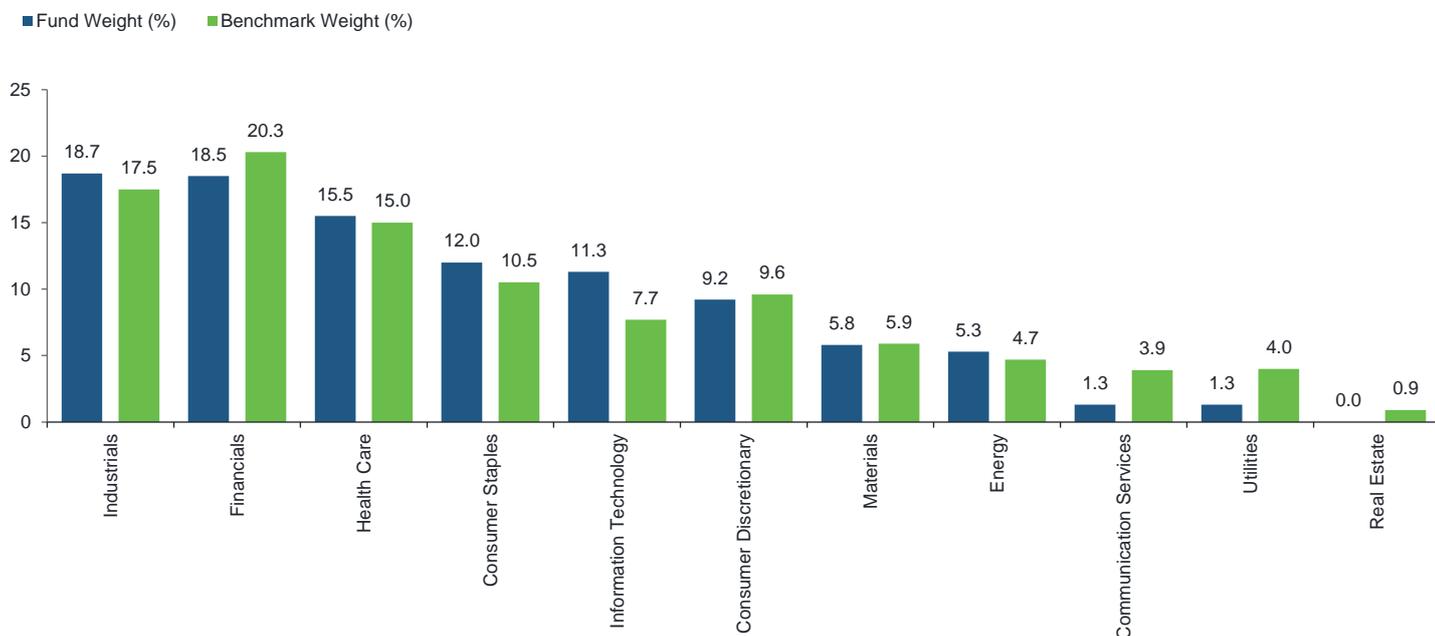
Note: Differences may be due to rounding.

SECTOR ATTRIBUTION SUMMARY - 1 YEAR									
Sector	Average Fund Weight (%)	Average Benchmark Weight (%)	Relative Weight (%)	Fund Return (%)	Benchmark Return (%)	Relative Return (%)	Security Selection (bps)	Sector Selection (bps)	Total Relative Contribution (bps)
CONSUMER STAPLES	18.87	10.81	8.05	12.22	(0.62)	12.84	268	(40)	229
INFORMATION TECHNOLOGY	10.43	7.77	2.66	33.12	14.44	18.68	(32)	219	186
CONSUMER DISCRETIONARY	9.25	10.22	(0.96)	21.25	5.15	16.10	18	132	150
UTILITIES	3.77	4.01	(0.24)	2.55	2.61	(0.05)	(5)	56	51
REAL ESTATE	2.07	0.87	1.20	4.00	0.57	3.43	6	23	29
MATERIALS	1.98	6.53	(4.54)	(5.87)	(0.74)	(5.13)	(23)	40	16
ENERGY	4.77	5.26	(0.49)	(5.49)	(3.27)	(2.22)	(1)	5	4
COMMUNICATION SERVICES	2.32	3.22	(0.91)	11.91	16.75	(4.84)	(14)	5	(9)
FINANCIALS	19.62	18.72	0.90	22.73	27.49	(4.76)	(134)	65	(70)
HEALTH CARE	13.49	15.93	(2.43)	1.10	6.02	(4.92)	(40)	(58)	(98)
INDUSTRIALS	11.43	16.67	(5.24)	2.19	16.81	(14.62)	(34)	(155)	(189)
<b>SUBTOTAL</b>	<b>98.00</b>	<b>100.00</b>	<b>(2.00)</b>	<b>13.53</b>	<b>11.02</b>	<b>2.51</b>	<b>8</b>	<b>292</b>	<b>300</b>
CASH AND OTHER	2.00	-	-	-	-	-	-	-	(70)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>13.32</b>	<b>11.02</b>	<b>2.30</b>	<b>-</b>	<b>-</b>	<b>230</b>

Note: Differences may be due to rounding.

## Fund Positioning

### SECTOR ALLOCATION



Sector breakdowns are only applied to equities and convertibles and the allocation percentages may not add to 100%.

Fund and benchmark weights are based on end weights as at each quarter end.

### TOP 10 HOLDINGS

Holding	Sector
ASML HOLDING NV	INFORMATION TECHNOLOGY
SAP SE	INFORMATION TECHNOLOGY
NOVO-NORDISK AS CL B	HEALTH CARE
ROCHE HLDGS AG (GENUSSCHEINE)	HEALTH CARE
LVMH MOET HENNESSY LOUIS VU SE	CONSUMER DISCRETIONARY
NESTLE SA (REG)	CONSUMER STAPLES
TOTALENERGIES SE	ENERGY
RELX PLC (NL)	INDUSTRIALS
ASTRAZENECA PLC (UK)	HEALTH CARE
SHELL PLC	ENERGY

## Investment Process

### Investment process

- Bottom-up approach focused on high quality companies trading on an attractive valuation.
- Favours well-managed, cash-generative businesses with high and sustainable returns.
- Employs a wide range of resource: extensive company meetings, Fidelity research, and proprietary framework.
- Long-term perspective, low turnover of investment ideas.

### Investment style

- Portfolio managers Matt Siddle and Helen Powell follow a "Quality at an attractive price" investment style.

#### Quality focus:

- Look to invest in high return, cash generative businesses.
- Focus on quality of business and structural drivers, not short-term EPS growth.

#### Valuation discipline:

- Look for attractive value on a cross-cycle basis.
- Choose best opportunities based on quality/value matrix.
- Monitor momentum, liquidity and conviction to size positions and avoid excessive risk.

### Risk management

- Regular use of Barra and FactSet to analyze portfolio.
- PM team use proprietary tool to carry out stock by stock analysis of key factor exposures.
- Tool measures risk versus fundamental exposures, not arbitrary sector or country of listing classifications.
- Enables identification and measure of exposures that stock picking has driven.
- Ensures portfolio remains true to investment approach.

### Portfolio construction

- Generally, 50-80 holdings.
- Exposures monitored at the style, factor, sector and fundamental macro economic level to ensure stock selection and quality bias remain key drivers of risk and return.
- Typical position size 0.5-5% at purchase.

### Buy discipline

- Focus on companies with high quality franchises.
- Identify stocks where valuation is attractive for the quality of the franchise.
- Assess risk profile before investing in the company, and the impact on the portfolio.

### Sell discipline

- The long-term outlook for the business deteriorates.
- Valuation no longer provides an attractive risk/reward payoff.
- The stock is replaced with a higher conviction idea.

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The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Nearly all accounts are subject to volatility in foreign exchange markets.

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