

Royal Borough of Kingston

Quarterly Investment Review

31 December 2018



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YOUR MANDATE

Performance Objective: To outperform the benchmark by 1.5% per annum (net of fees) over a rolling 3 year period.

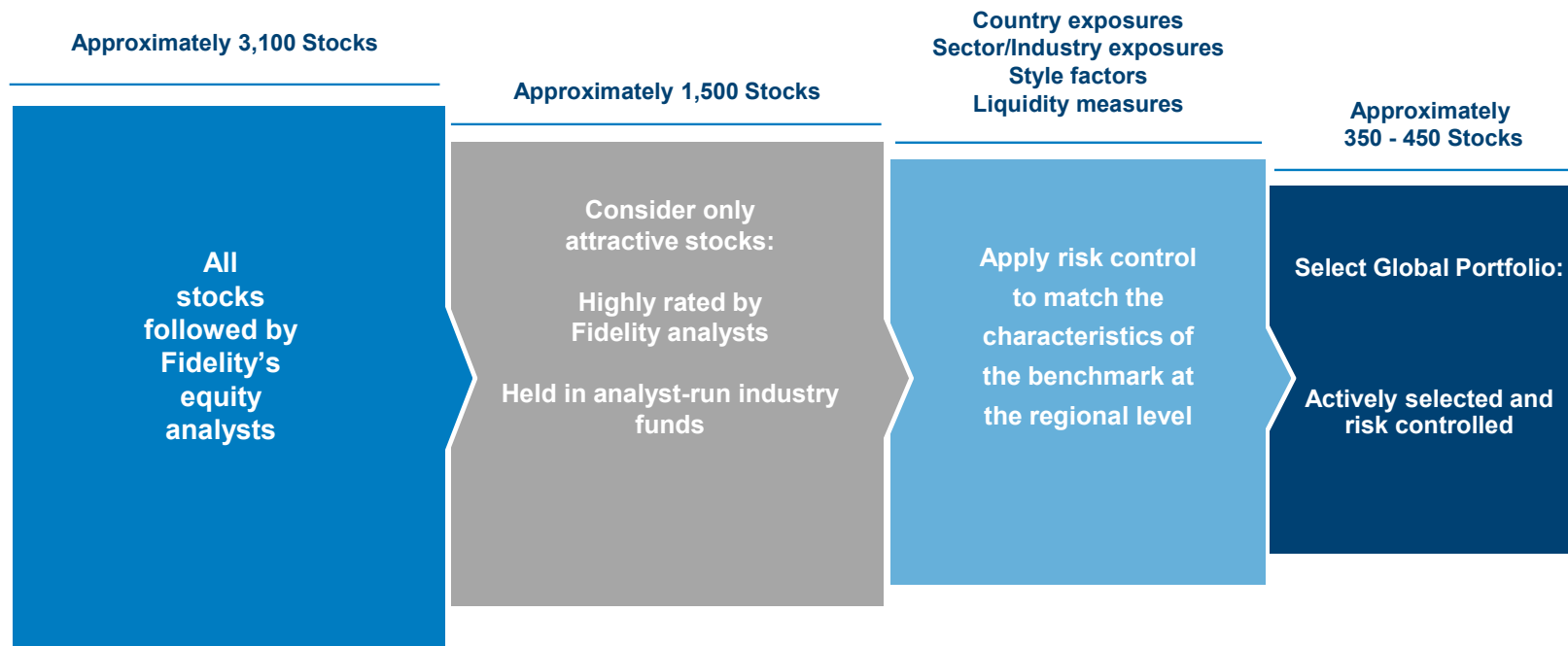
Your Portfolio	
Benchmark	
100.00% MSCI All Countries World Index (Net)	
Portfolio Valuation	
Value at 30.09.2018 GBP	228,560,127.42
Client Cash flow GBP	0.00
Value at 31.12.2018 GBP	199,994,822.11

Your Process
Managed by:
César Hernández and Select Team
Investment Discipline:
<ul style="list-style-type: none">• Pure play on Fidelity's research• Combines active stock selection with quantitative risk controls• Adds value while minimizing relative risk
Does not:
<ul style="list-style-type: none">• Hedge currencies• Take top down allocation positions
Expected tracking error range: 1%-3%

Source: Fidelity International, 31.12.2018.

THE SELECT GLOBAL - INVESTMENT PROCESS

Best Ideas Within A Risk-Managed Framework



Source: Fidelity International, 31.12.2018

SELECT GLOBAL - PORTFOLIO CONTROLS

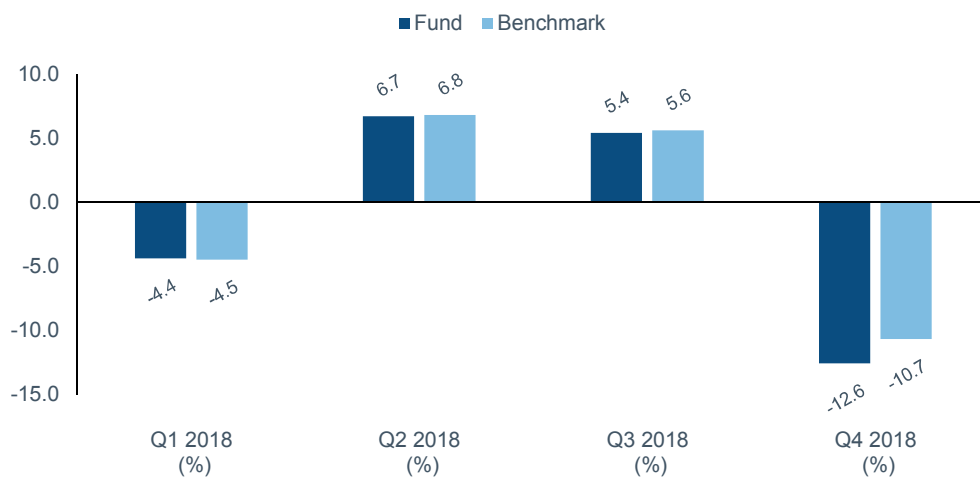
Disciplined Portfolio Construction

Risk Factor	Risk Control
Regional weights	Benchmark neutral (fully invested)
Country weights	Benchmark weight +/-3%
Sector weights	Benchmark weight +/-2.5%
Security weights	Benchmark weight +/-2% (function of investment rating)
Capitalisation	Benchmark average +/-10%
Other style factors	Benchmark relative bounds

Source: Fidelity International, 31.12.2018

TOTAL PORTFOLIO PERFORMANCE

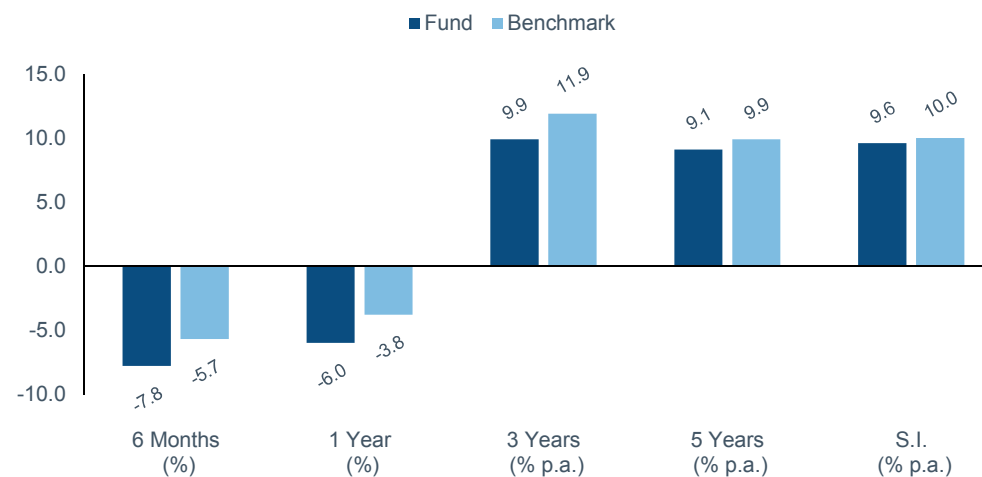
Quarterly Performance For The Last 12 Months



Returns (%)

	Q1 2018 (%)	Q2 2018 (%)	Q3 2018 (%)	Q4 2018 (%)
Fund	-4.4	6.7	5.4	-12.6
Benchmark	-4.5	6.8	5.6	-10.7
Difference	0.1	-0.1	-0.2	-1.9

Longer Term Performance To 31.12.2018



Returns (%)

	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	S.I. [†] (% p.a.)
Fund	-7.8	-6.0	9.9	9.1	9.6
Benchmark	-5.7	-3.8	11.9	9.9	10.0
Difference	-2.1	-2.2	-2.0	-0.8	-0.4

Source: Fidelity International, 31.12.2018

[†] Since Inception.

Inception date: 25.09.2009

Benchmark = 100.00% MSCI All Countries World Index (Net)

Above figures are subject to rounding. Please note that the above returns are net of fees.

The official valuation point for the Institutional OEICs is noon using the most up to date market prices available at that time. For the purpose of calculating performance returns that are comparable with market returns, these pooled funds are revalued at the end of each month using the closing prices for all markets. In some cases these returns may differ from those based on the official monthly valuation.

REGIONAL PERFORMANCE

Regional Returns As At 31.12.2018

	3 months (%)		12 months (%)		3 years (% p.a.)		Since Inception (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities	-12.1	-9.7	-14.7	-8.8	0.7	6.3	5.4	6.7
Europe ex UK Equities	-11.9	-11.0	-8.5	-9.9	7.3	7.4	6.9	5.9
North American Equities	-14.4	-11.8	-1.5	0.1	12.4	13.7	14.0	13.5
Japanese Equities	-13.2	-12.2	-10.2	-7.5	7.6	7.9	7.4	7.0
Pacific ex Japan Equities	-10.9	-5.7	-12.7	-4.7	11.0	12.1	8.6	7.8
Emerging Market Equities	-5.6	-5.3	-13.2	-9.3	13.6	14.7	5.3	5.6
Total Returns	-12.5	-10.7	-5.7	-3.8	10.3	11.9	10.1	10.0

Source: Fidelity International, 31.12.2018

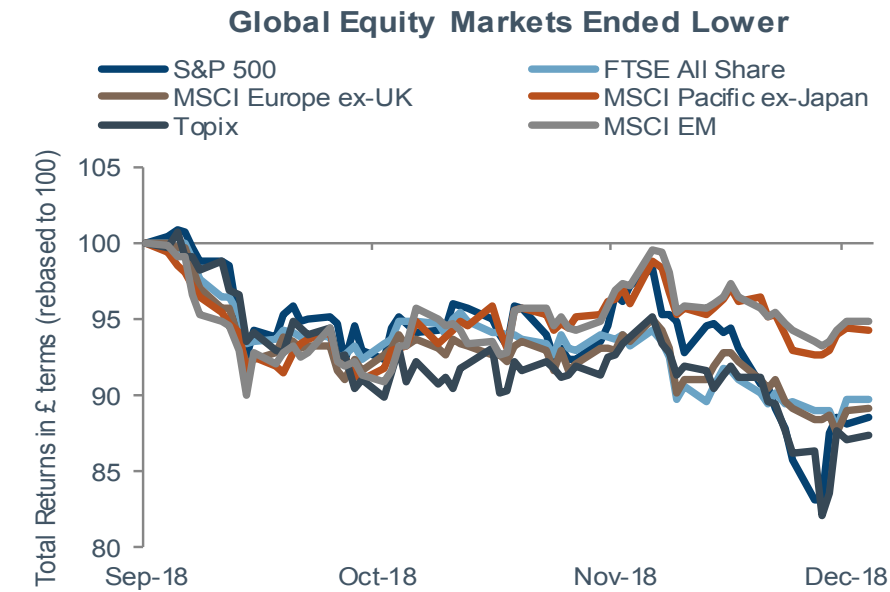
Benchmark: 100.00% MSCI All Countries World Index (Net)

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INVESTMENT ENVIRONMENT: GLOBAL EQUITIES

Equities Declined In The Fourth Quarter

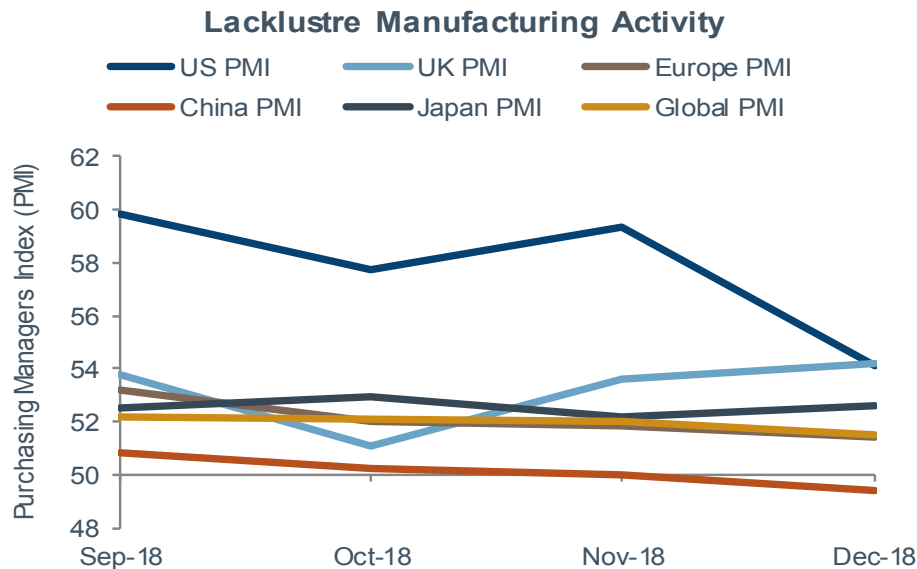


Source: Thomson Reuters Datastream, 31.12.2018

Global equity markets fell over the quarter and ended 2018 in negative territory. Concerns about the global economy and the interest rate hike by the US Federal Reserve (Fed) weighed on sentiment. Brexit-related uncertainty and US-China trade tensions further concerned investors, despite the US and China reaching a 90-day truce to temporarily halt new tariffs and finalise a trade deal. On the policy front, the Fed signalled further tightening in 2019, but at a slower pace. It lowered projections for rate hikes and economic growth in 2019. All key markets ended the period lower, with Japanese and US stocks registering a significant decline. Emerging markets also fell, but outperformed developed markets. At a sector level, energy companies declined the most, as crude oil prices fell due to worries about excess supply and weak demand.

INVESTMENT ENVIRONMENT: GLOBAL EQUITIES

Data Points To A Moderating Global Economy

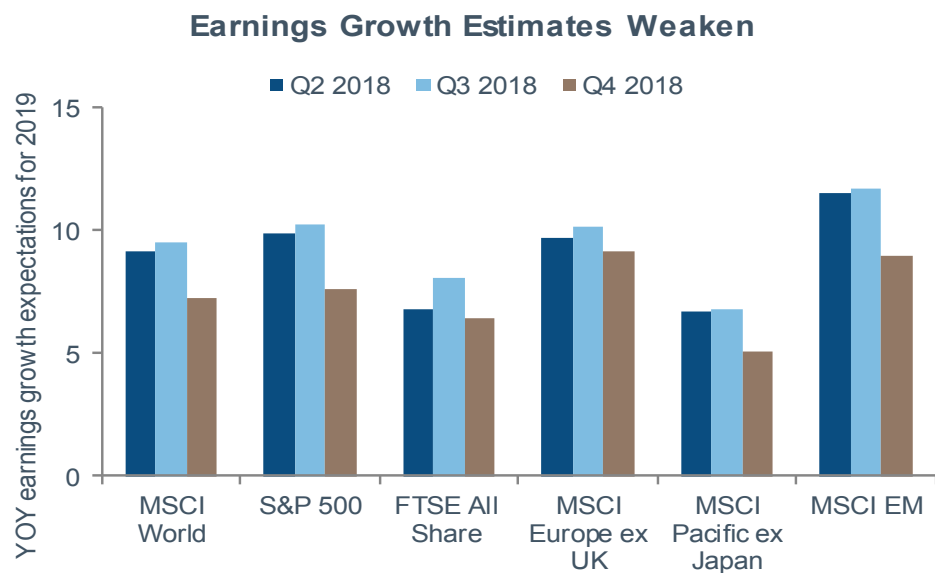


The pace of expansion in global manufacturing, measured by the JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), eased to 51.5 in December from 52.2 in September (a reading of above 50 indicates an expansion), as output and new order growth slowed, and export orders fell amid trade uncertainties. The US manufacturing growth decelerated in December to its lowest level since November 2016. US GDP growth also moderated over the third quarter (latest data available as GDP is a lagging economic indicator). Third quarter GDP data in eurozone and China was below expectations, even as manufacturing activity in both the regions weakened over the fourth quarter. Meanwhile, the UK's PMI posted a solid increase in December, as stockpiling surged. Manufacturing activity in Japan was steady, as improved output outweighed weak exports.

Source: Bloomberg, 31.12.2018

INVESTMENT ENVIRONMENT: GLOBAL EQUITIES

Global Earnings Forecasts Edged Lower



The outlook for financial markets remains cautious in view of risks in the current late-cycle environment. Factors driving recent market volatility, such as tightening monetary conditions, trade issues and mixed global growth prospects, remain in place. Earnings momentum is likely to decelerate, with I/B/E/S analysts' global earnings growth forecast for 2019 falling to 7.2% in December, from 9.5% in September. US equity markets are supported by above-trend growth, although market volatility has risen. Political risks are likely to weigh on the European market. While Brexit-related uncertainty remains in the UK, valuations have become more attractive. Emerging markets are likely to face pressure from the slowing Chinese economy, while the positive outlook for Japan is supported by its healthy domestic economy.

Source: Thomson Reuters Datastream, I/B/E/S Estimates, 31.12.2018

PERFORMANCE ATTRIBUTION - 3 MONTHS

Contribution By Sector And Region Over The Quarter

Sector Name	Total Portfolio	North America	Europe ex UK	Japan	United Kingdom	Asia Pacific ex Japan	Emerging Markets
Consumer Discretionary	0.00	0.00	0.10	0.00	0.00	0.00	0.00
Consumer Staples	-0.50	-0.40	0.00	0.00	0.00	0.00	0.00
Energy	0.00	0.10	-0.10	0.00	0.00	0.00	0.00
Financials	-0.20	-0.10	0.00	0.00	0.00	-0.10	0.00
Health Care	-0.70	-0.80	0.00	0.00	0.00	0.00	0.00
Industrials	-0.20	-0.10	-0.10	0.00	-0.10	0.00	0.00
Information Technology	-0.10	0.00	0.00	0.00	0.00	0.00	-0.10
Materials	-0.10	-0.10	0.00	0.00	0.00	0.00	0.00
Real Estate	-0.10	0.00	0.00	0.00	0.00	-0.10	0.00
Utilities	0.00	0.10	0.00	0.00	0.00	0.00	0.00
All Sectors	-1.90	-1.40	-0.10	-0.10	-0.10	-0.20	0.00
Turnover(%)	16.00	14.00	18.00	9.00	25.00	11.00	17.00

Your portfolio underperformed the index over the quarter. Within health care, Neurocrine Biosciences slipped as its third-quarter earnings fell short of analysts' estimates due to lower-than-expected sales of Ingrezza, which is used to treat side effects caused by antipsychotic medication. Shares in Perrigo declined after the Irish tax authority unexpectedly announced a \$1.8 billion tax bill for royalty sales of its multiple sclerosis drug Tysabri. Not holding chip maker Nvidia added relative value, as it reported mixed results due to lower-than-expected revenue in its gaming segment.

Source: Fidelity Institutional Asset Management, 31.12.2018, gross of fees, in GBP.
Above figures are subject to rounding.

LARGEST POSITIVE STOCK CONTRIBUTORS AND DETRACTORS

Performance Contribution By Stock Over The Quarter

Top 5 Contributors	*Avg. Portfolio Weight (%)	Avg. Benchmark Weight (%)	Avg. Active Weight (%)	Total Return (%)	Contribution to active Return (%)
Nvidia	0.0	0.3	-0.3	-51.4	0.16
AES	0.5	0.0	0.5	6.7	0.09
Mcdonalds	0.8	0.3	0.5	8.7	0.09
Ppl	0.7	0.0	0.6	-0.9	0.07
Exxon Mobil Corp	0.0	0.8	-0.8	-17.8	0.06

Top 5 Detractors	Avg. Portfolio Weight (%)	Avg. Benchmark Weight (%)	Avg. Active Weight (%)	Total Return (%)	Contribution to active Return (%)
Neurocrine Biosciences	0.6	0.0	0.6	-40.5	-0.21
Sarepta Therapeutics	0.7	0.0	0.7	-30.8	-0.17
Perrigo	0.4	0.0	0.4	-44.0	-0.12
Procter & Gamble Co	0.0	0.5	-0.5	14.2	-0.12
Alexion Pharmaceuticals	0.6	0.1	0.5	-28.2	-0.10

Source: Fidelity Institutional Asset Management, 31.12.2018.

*Avg: Average

Benchmark: 100.00% MSCI All Countries World Index (Net)

Above figures are subject to rounding.

PORTFOLIO POSITIONING: LARGEST ACTIVE HOLDINGS

Positive

Stock	Active (%)	Sector
Chevron Corp	1.0	Energy
Boston Scientific	0.6	Health Care
Sarepta Therapeutics	0.6	Health Care
Microsoft	0.6	Information Technology
Marvell Technology Group Ltd	0.6	Information Technology
Humana	0.6	Health Care
Mcdonalds	0.6	Consumer Discretionary
Norfolk Southern	0.6	Industrials
United Technologies	0.6	Industrials
Lyondellbasell Inds Class A	0.5	Materials

Negative

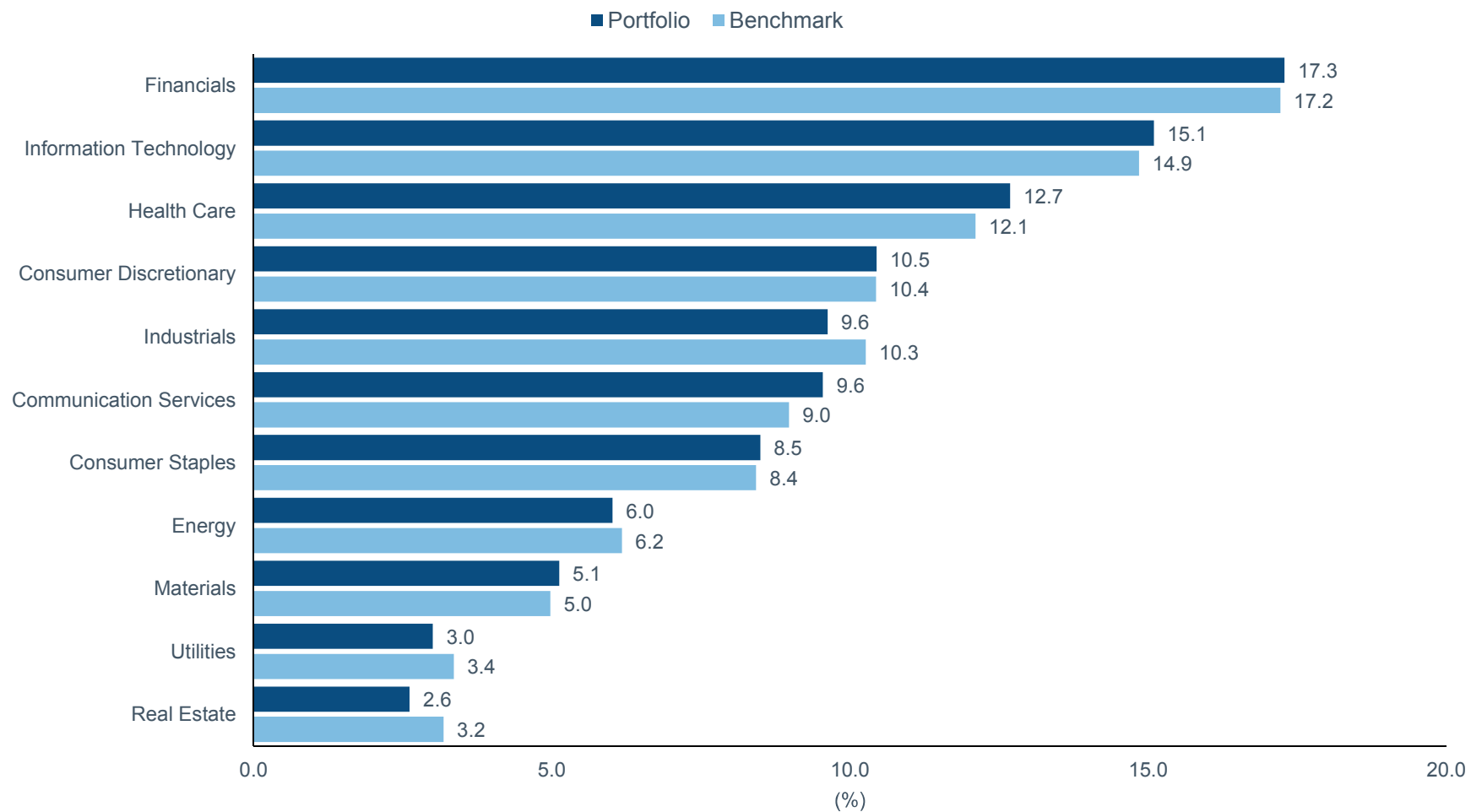
Stock	Active (%)	Sector
Johnson & Johnson	-0.9	Health Care
JP Morgan Chase & Co	-0.8	Financials
Exxon Mobil Corp	-0.7	Energy
Pfizer Inc	-0.6	Health Care
Procter & Gamble Co	-0.6	Consumer Staples
Intel Corp	-0.5	Information Technology
Apple	-0.5	Information Technology
Merck & Co	-0.5	Health Care
Boeing Co	-0.4	Industrials

Source: Fidelity Institutional Asset Management, 31.12.2018.

Benchmark: 100.00% MSCI All Countries World Index (Net)

Above figures are subject to rounding.

PORTFOLIO POSITIONING: SECTOR WEIGHTS



Source: Fidelity Institutional Asset Management, 31.12.2018.
 Benchmark: 100.00% MSCI All Countries World Index (Net)
 Above figures are subject to rounding.

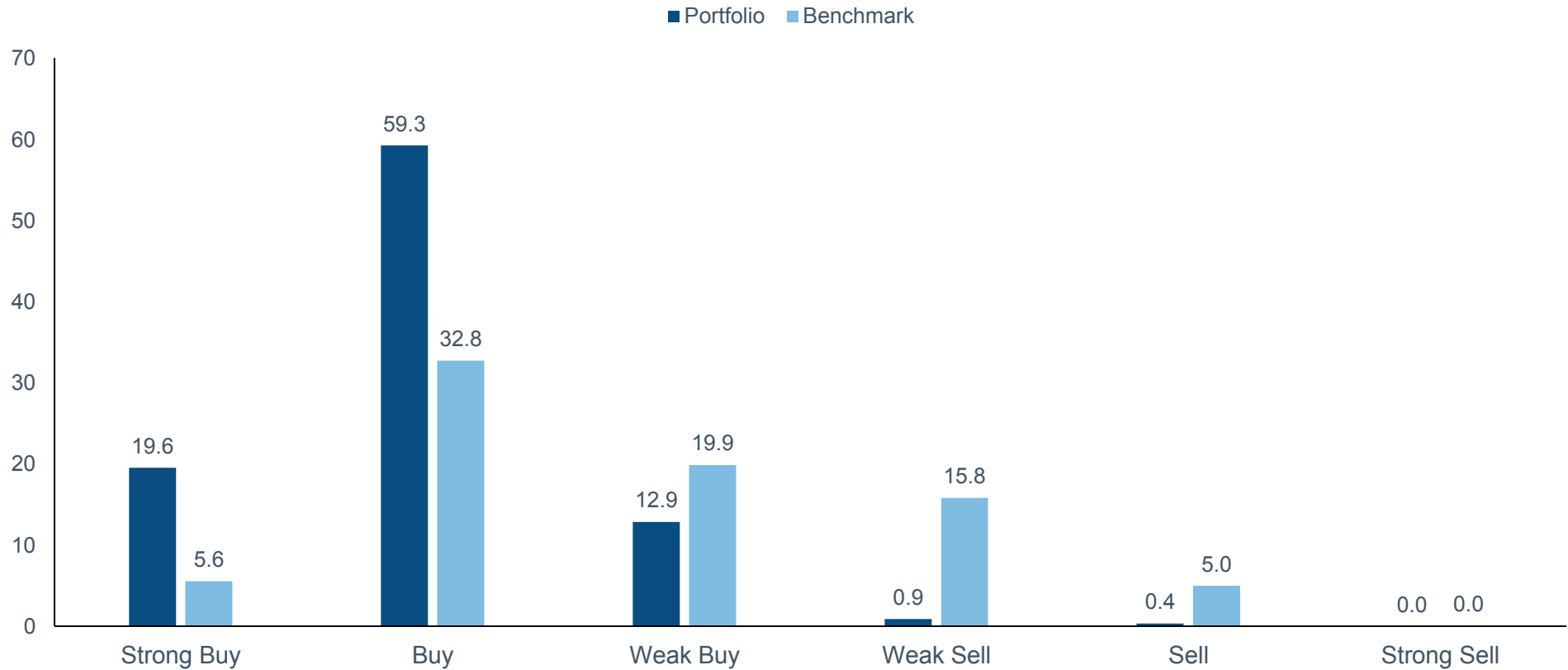
PORTFOLIO POSITIONING: REGIONAL WEIGHTS

Region Name	Portfolio		Benchmark	
	Number of Holdings	Weight (%)	Number of Holdings	Weight (%)
North America	135	57.2	712	57.5
Europe ex UK	78	14.2	343	14.0
Emerging Markets	115	10.4	1,125	11.7
Japan	49	7.4	322	7.6
United Kingdom	31	5.4	96	5.2
Asia Pacific ex Japan	24	3.7	159	4.0
Cash & Other	-	1.7	-	-
Total	432	100.0	2,757	100.0

Source: Fidelity Institutional Asset Management, 31.12.2018.
 Benchmark: 100.00% MSCI All Countries World Index (Net)
 Above figures are subject to rounding.

PORTFOLIO POSITIONING: ANALYSTS RATINGS

- Those securities rated 'Weak Sell' or worse are typically underweight versus the benchmark and/or in the process of being sold.



Source: Fidelity Institutional Asset Management, 31.12.2018.
Benchmark: 100.00% MSCI All Countries World Index (Net)
Above figures are subject to rounding.

PORTFOLIO POSITIONING: PORTFOLIO FACTS

	Portfolio	Benchmark
Beta	1	1
Dividend Yield	3.00%	3.20%
Avg. Market Cap (US\$ bn)	125.9	131.8
P/E Ratio (trailing)	16.4X	15.5X
P/E Ratio (forward)	14.3X	13.9X
P/BV Ratio	2.1X	2.1X
P/CE Ratio	10.3X	9.9X
Return on Equity	12.40%	13.00%
Number of Issues	432	2,757
Weight in Benchmark Names	95%	100%
Predicted Active Risk	1.10%	-

Source: Fidelity Institutional Asset Management, 31.12.2018.
 Benchmark: 100.00% MSCI All Countries World Index (Net)
 Above figures are subject to rounding.

PERFORMANCE ATTRIBUTION - 12 MONTHS

Contribution By Sector And Region Over The Year

Sector Name	Total Portfolio	North America	Europe ex UK	Japan	United Kingdom	Asia Pacific ex Japan	Emerging Markets
Consumer Discretionary	-0.50	-0.40	0.10	-0.10	0.00	0.00	-0.10
Consumer Staples	-1.20	-0.90	-0.10	0.00	-0.10	-0.10	0.00
Energy	0.50	0.30	0.00	0.00	0.00	0.00	0.10
Financials	-0.40	-0.40	0.10	0.00	-0.10	0.00	0.00
Health Care	0.50	0.10	0.20	0.00	0.00	0.00	0.00
Industrials	-0.50	-0.20	-0.20	0.00	0.00	0.00	0.00
Information Technology	-0.20	-0.20	0.10	0.00	0.00	0.00	-0.10
Materials	-0.40	-0.20	0.00	0.00	0.00	0.00	-0.10
Real Estate	0.10	0.10	0.00	0.00	0.00	-0.10	0.00
Utilities	0.30	0.30	0.10	0.00	0.00	0.00	0.00
All Sectors	-2.00	-1.40	0.20	-0.30	-0.30	-0.10	-0.10
Turnover(%)	58.00	54.00	58.00	43.00	58.00	47.00	72.00

Source: Fidelity Institutional Asset Management, 31.12.2018.

Above figures are subject to rounding.

Benchmark: 100.00% MSCI All Countries World Index (Net)

OUTLOOK

- The outlook for financial markets remains cautious in view of risks in the current late-cycle environment. Factors driving recent market volatility, such as tightening monetary conditions, trade tensions and lukewarm global growth prospects, remain in place. Earnings momentum is also expected to decelerate. At a regional level, the US market is supported by its above-trend economic growth. Political risks are likely to weigh on Europe. Asia remains attractive given its robust long term growth prospects, while Japan's domestic story is appealing.

PROXY VOTING

SINO LAND : AGM - 25.10.2018

FMR voted AGAINST two proposals (items 5.2 & 5.3) at Sino Land Co. Ltd. The proposals requested to approve the issuance of equity or equity-linked securities without preemptive rights and to authorize the reissuance of repurchased shares. Together, the share issuance and reissuance request would authorize the company to issue shares, up to 30% of currently issued share capital, without pre-emptive rights and without a discount limit. Section X applies to these items. Additionally, FMR abstained from voting item 3.5, which sought authorization for the board to fix remuneration of directors, as the company provided insufficient information for FMR to make a voting decision. These votes were cast in the best interests of shareholders. All other items were voted in line with management. All resolutions were approved at this meeting.

INSURANCE AUSTRALIA GROUP : AGM - 26.10.2018

FMR voted FOR Insurance Australia Group Ltd.'s remuneration report (item 1) despite the use of retesting during the year prior to the annual meeting. The retesting was associated with a FY13 grant, which was the last award issued with a retesting provision. The company committed to not retest moving forward. Section IV applies to this item. These votes were cast in the best interest of shareholders. All items were voted in line with management. All resolutions were approved at this meeting.

JAMES HARDIE INDUSTRIES : AGM - 25.10.2018

FMR voted AGAINST two proposals (items 5.2 & 5.3) at Sino Land Co. Ltd. The proposals requested to approve the issuance of equity or equity-linked securities without preemptive rights and to authorize the reissuance of repurchased shares. Together, the share issuance and reissuance request would authorize the company to issue shares, up to 30% of currently issued share capital, without pre-emptive rights and without a discount limit. Section X applies to these items. Additionally, FMR abstained from voting item 3.5, which sought authorization for the board to fix remuneration of directors, as the company provided insufficient information for FMR to make a voting decision. These votes were cast in the best interests of shareholders. All other items were voted in line with management. All resolutions were approved at this meeting.

NINE DRAGONS PAPER HOLDINGS : AGM - 18.12.2018

Voted AGAINST two proposals (items 5a & 5c) at Nine Dragons Paper Holdings Ltd. The proposals requested to approve the issuance of equity or equity-linked securities without pre-emptive rights and to authorize the reissuance of repurchased shares. Together, the share issuance and reissuance request would authorize the company to issue shares, up to 30% of currently issued share capital, without pre-emptive rights and without a discount limit. Section X applies to these items. Additionally, we abstained from voting item 3b, which sought authorization for the board to fix remuneration of directors, as the company provided insufficient information to make a voting decision. These votes were cast in the best interests of shareholders. All other items were voted in line with management.

IMPORTANT INFORMATION

All data is sourced from Fidelity International and is as at 31.12.2018, unless stated otherwise.

Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America.

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