

A world of investment trust opportunities



Fidelity
INTERNATIONAL



Contents

- 4 The 2020s
- 6 Investment trusts - a 'how to' guide
- 8 Fidelity Asian Values PLC - investing in good businesses, run by good people, at a good price
- 12 Fidelity China Special Situations PLC - investing in China's new growth drivers
- 16 Fidelity Emerging Markets Limited - an active 'go anywhere' approach to Emerging Markets
- 20 Fidelity European Trust PLC - focusing on strong and sustainable dividend payers
- 24 Fidelity Japan Trust PLC - using research and local knowledge to find winning companies, large or small
- 28 Fidelity Special Values PLC - looking at UK markets differently
- 32 Investment trust features
- 34 Our global expertise
- 36 Find out more

Important information

Please be aware that the value of investments and the income from them can go down as well as up and you may not get back the amount you invested. Past performance is not a reliable indicator of future results. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to an authorised financial adviser.

Overseas investments are subject to currency fluctuations. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. Investment trusts can gain additional exposure to the market, known as gearing, potentially increasing volatility. Fidelity Asian Values PLC (FAS), Fidelity China Special Situations PLC (FCSS), Fidelity Emerging Markets Ltd (FEML), Fidelity European Trust PLC (FEV) and Fidelity Special Values PLC (FSV) use financial derivative instruments for investment purposes, which may expose them to a higher degree of risk and can cause investments to experience larger than average price fluctuations.

Fidelity Asian Values PLC, Fidelity China Special Situations PLC, Fidelity Emerging Markets Ltd invest in emerging markets which can be more volatile than other more developed markets.

Fidelity Japan Trust PLC, Fidelity Asian Values PLC, Fidelity China Special Situations PLC and Fidelity Special Values PLC invest 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 and the securities are often less liquid.

Investors should note that the views expressed may no longer be current and may have already been acted upon.

The 2020s - a decade that changes everything?

Alex Denny, Head of Investment Trusts at Fidelity, looks at a rapidly changing world and considers how well-positioned companies and investors might be rewarded.

It is a peculiar outcome of naming conventions that COVID-19, the novel coronavirus first reported to the World Health Organisation in December 2019, is known by the last year and month of a decade it had no material impact on, rather than the decade that it opened and will surely continue to influence for several years.

First discovered in Wuhan in China, COVID-19 became the fifth recorded global pandemic since Spanish Flu in 1918.¹ Advances in modern medicine over the previous century mean that the mortality rate of COVID has been significantly lower than Spanish Flu - and yet it is still likely to be looked back on, in public health terms, as the worst pandemic to have followed.

Given that pandemics are nothing new, it seems strange that the world wasn't better prepared. Government responses around the world differed wildly - as did the human, economic and commercial impacts between countries and regions.

Beyond the obvious human tragedy, what COVID-19 shone a light on is just how rapidly the world has developed in the 21st century. Trends which were developing over the previous few years were rapidly accelerated to meet the challenges of the pandemic. As ever, adversity proved to be a strong driver of progress.

Overturing Conventional Wisdom

For decades, conventional wisdom held that a company should always seek the most cost-effective ways of providing goods and services. This led to the economic megatrend of globalisation (moving production and services - and the associated jobs - to regions where labour is cheap) and to 'just-in-time' manufacturing processes (reducing production times and inventories to limit costs).

The 2020s opened to an apparent black swan event which shattered the status quo. The point of Peak Globalisation had been reached. The potential for international supply chains to breakdown was highlighted by limited freedom of movement in response to the pandemic. Likewise, just-in-time processing failed to provide the resilience needed for vital commodities and staples, from medicines and personal protective equipment, to baked beans and toilet roll.

In the first few months of the pandemic, with a focus firmly on China and its neighbours in Asia, Chinese markets fell substantially as investors moved to perceived safe-havens, pricing in a recession in China which did not materialise.

Asia: Rising and Resilient

In retrospect - it should have been obvious that China and Asia would bounce back faster than most so-called developed markets and economies. China's burgeoning middle classes in the nineties and noughties had developed concurrently with the internet. Consumerism in China was already built on a 'digital first' platform - and as an increasingly important part of China's prosperity, the resulting success of their technology companies (already challenging their US counterparts in terms of size and fame) was inevitable.

Most Westerners' traditional view of the world, with the US, supported by Europe at its heart is now being challenged. With the technological capabilities to manufacture complex electronics and pharmaceuticals, and the quality and style to develop domestic brands into global fashions, Asia, led by China, must be seen increasingly as an equal partner if not yet in its full ascendancy.

Asia does not rely on the west for its supply chains and has therefore proven incredibly resilient when they are disrupted. The Asianisation of Asia, it turns out, has been underway for many years.

A world of opportunities

Of course, this also creates huge opportunities in Europe and the rest of the world to compete in and capitalise on this new world megatrend. The best companies from all around the world, and those that provide the best returns for investors, will be those that are prepared for a new wave of positive disruption and adapt. Fidelity's investment trusts offer access to some of Fidelity's best stock-pickers to help you gain access to the winners in the decade that will surely change everything.

Investment Trusts at Fidelity

Over the last thirty years, we at Fidelity have sought to build a range of investment trusts that provide investors with access to equity markets around the world. Whether you want to invest in the rapidly developing markets of Asia, the engine of global economic growth, or the well-established markets of Europe, home to some of the world's most well-known brands and companies, we have something to offer you.

We have made several changes in recent years - such as the addition of Fidelity Emerging Markets Limited to our range of investment companies, or making greater investments in private companies before they list on a stock exchange. This is because we wish to continue to deliver on shareholders' expectations and surpass them. We want to make sure we continue to make best use of the structure and allow our managers to do so, for the 2020s and into the decades that follow.



Alex Denny joined Fidelity in 2005 and moved to the Investment Trust team in 2012. He has played a leading role in promoting the benefits of investment trusts to investors in the UK and abroad. He is an active industry lobbyist, championing the interests of retail shareholders. Alex is also a trustee of the charities MARINElife and the Nautical Archaeology Society.

@AlexDenny_Kent

“...COVID-19 shone a light on just how rapidly the world has developed in the 21st century... adversity proved to be a strong driver of progress ”

Investment trusts - a 'how to' guide

Daniel Summerland, Associate Director - Investment Trusts at Fidelity, explores what investment trusts are and how their unique features can help investors build better financial futures

It should be no secret that Investment Trusts offer a compelling and unique way for investors to build better financial futures. Rewarding those who diversify and play the long game, this particular type of collective investment vehicle is well-established and yet continually evolving. The industry has a long history of mergers, closures and new launches, providing investors a breadth of choice as to how and where they invest.

Let's explore how Investment Trusts provide these benefits to you as investors and how you can maximise their features to your advantage.

Governance

At their heart, Investment Trusts are simply listed companies. They comprise a Board of Directors which is usually fully independent. With so much emphasis being placed on strong governance and value for money within the asset management sector in recent years, this shouldn't be overlooked. By being independent, and often with a portion of their own personal wealth invested in the Trust they oversee, these Directors are aligning their interests with your own as much as possible. They are there to oversee and challenge the Portfolio Manager they appoint. As Fidelity, this means we are constantly under the microscope, which is a good thing for investors

Liquidity

There are two aspects to this one. The first is the liquidity of a Trust's shares itself and the second is of the underlying portfolio. By listing on an exchange, the shares of a Trust will trade at a price either greater (premium) or lower (discount) than the value of what's under the hood (the Net Asset Value (NAV) of the underlying portfolio). Whether the shares are trading higher or lower depends

on a number of things, including demand for the shares as well as investor sentiment about the Portfolio Manager and their strategy. If you're confident in the strategy and the manager's ability, discounts can offer an opportunity to benefit from a 'narrowing of the discount' where the share price rises and gets closer to the NAV. This is particularly the case where the Portfolio Manager stays true to their word on their 'discount policy' and actively steps in to keep this discount manageable for investors, as Fidelity demonstrated during the COVID-19 pandemic.

Illiquid assets

In terms of the underlying portfolio, events from recent years have shone a light on fund liquidity. Two obvious examples are the suspensions of open-ended property funds and Woodford's Equity Income Fund. By virtue of being close-ended, housing illiquid assets in an Investment Trust makes intuitive sense and offers investors the opportunity to benefit from the illiquidity premium of these securities. Some of our Portfolio Managers at Fidelity are increasingly making use of their powers to invest in these unlisted assets. Good examples would be Dale Nicholls on behalf of Fidelity China Special Situations and Nicholas Price for Fidelity Japan. More to come in this space.

Gearing

Wouldn't it be great if you could amplify the returns of an experienced Portfolio Manager you trusted, supported by deep research capabilities and analysts on the ground where companies are based? Yes, if you're prepared to accept the additional risk! Gearing allows a Trust to borrow money to invest or to use derivatives to add additional exposure. This is another feature you should consider when choosing your Investment Trusts. The track

record of how the Portfolio Manager has used gearing to enhance returns is important here. You can usually find this information in the annual report. Sam Morse, who runs the Fidelity European Trust does just that in the latest annual report.¹

Dividends

Speaking of Sam, who is an advocate of dividend-paying companies in his investment approach, another benefit of the Trust structure is how dividends are paid. They have a unique feature allowing them to smooth dividend payments over time, meaning they can increase year on year. Fidelity Special Values, Fidelity China Special Situations and Fidelity European are all classed as the next generation of 'dividend heroes',² meaning they have increased their dividends for 10 years or more. This aspect is useful to explore if you are looking for your investments to pay you a steady stream of income.

Sustainability

It's hard to ignore ESG at the moment, and rightly so. How a Portfolio Manager integrates ESG factors into their investment process is an increasingly important aspect for investors and the world at large. And is something our Boards continually challenge us on. It is worth considering how your Portfolio Manager factors ESG considerations into their decision-making as this will ultimately impact on long-term performance. And one way of checking how serious they are is to look at their own corporate sustainability and voting policies. If you don't like what you see, consider asking your Board or manager about it an AGM or via their investor relations teams.



Daniel Summerland joined the Investment Trusts team in 2021 where he is responsible for managing Board relationships and also product development. He started at Fidelity in 2020 in Investment Risk

Oversight overseeing the UK fund range. Prior to that, Dan worked at the FCA where he led the Fund Supervision team. He started his career in 2011 at Credit Suisse where he worked on a fund structuring desk. He studied Business Management at the University of Surrey and is a CFA charterholder.

“...we are constantly under the microscope, which is a good thing for investors.”

Where and how to buy?

If you've considered everything so far, you're well on your way to making an informed decision. But that still leaves the question of how you should invest. This means both the type of account, and via which means. It's always a good idea to consult an expert on these things who can advise you what to do based on your personal circumstances. And in terms of platforms, having one which offers you a breadth of Investment Trust options means you can gain access to the latest innovative offering or stalwart with a long and proven track record.

We wish you well in your journey through the world of Investment Trusts.

1. <https://investment-trusts.fidelity.co.uk/fidelity-european-trust/?p=0&c=10>
2. <https://www.theaic.co.uk/income-finder/dividend-heroes>

Fidelity Asian Values PLC

Investing in good businesses, run by good people, at a good price

Nitin Bajaj, Portfolio Manager of Fidelity Asian Values, explains his investment process and why he focuses on stocks and not news stories.





The investment philosophy which underpins Fidelity Asian Values PLC is quite simple. I try to buy good businesses, run by good people, and buy them at a good price. I don't tend to pay much attention to the latest newspaper headlines and macroeconomic noise, as I think my time is much better spent focusing on things I can control, namely buying businesses that meet my quality and value criteria.

As a manager focusing on value, I tend to be drawn to unfashionable businesses. This means there will be times when the momentum of markets leaves those companies I like behind, in share price terms. This can put investors off at the times when the opportunity is greatest. The mindset of value investors must always be to be bold when others are cautious - but only if backed up by fundamental research.

It is important for shareholders in the trust to understand and appreciate the philosophy I follow, because our success over the next five years will largely be driven by the hard work that we put in. Stock markets will go up and down, but to make money, I believe you need a good philosophy, to stay true to it, and be willing to put in the time and effort to implement it effectively.

“A good business is not necessarily a good investment. A good business is a good investment if bought at the right price”

I manage money in more or less the way most people manage their personal finances. If you were buying a company today, you would want to buy a good business, then you would want to hire the best people to run it for you, and finally you would want to buy it at the best possible price. I just try to do that in the stock market.

It is easier said than done, because finding good businesses is not straightforward. It requires an immense amount of hard work from Fidelity’s analyst team and patience from me. We look at company after company after company, and it is only one out of perhaps 15 or 20 that meets our strict criteria.

What does this mean in practice? Well, let’s say I want to buy a major toothpaste business in India; whether we will make money or not over the next five years will be driven largely by how the toothpaste market in India evolves, and how the company performs within that market versus its competitors.

The questions we need to consider are: why is it that the majority of Indians get up every morning and use that toothpaste? Is it the brand? Is it the research and development? Is it the management team? Is it the sales network? What allows them to dominate? Until we understand these factors, we don’t know whether it is a good business or a bad business. If we don’t understand this, I’m not investing, I’m speculating.

The second, equally important, thing is good people. By this I mean good business people; people who can run a business well, who can take market share and who can generate a lot of cash, as well as people who then treat that cash in the way it should be treated, which is for the benefit of shareholders. A lot of our time is therefore spent on understanding management; we interview them, we talk to their competitors, we talk to their ex-employees, just to understand how they think.

The third thing, which is probably the hardest thing to do, is buying the business at a good price. When you find these good businesses and you find these great managers running these businesses, it is extremely seductive, you want to buy them, but a good business is not necessarily a good investment. A good business is a good investment if bought at the right price. It requires a lot of patience to uncover a hidden gem no one else has found.

Capital preservation is paramount. I have an obsession with not losing money. When our analysts come to me, I always tell them it is their job to make money; it is my job not to lose money. I am always looking for ways a company’s stock price could go down, so I am pessimistic by nature. By challenging the thesis behind an investment, we hope to form a balanced view and make a good decision.

The opportunity set for the trust over the next five years is huge, as there are over 18,000 listed companies in Asia.¹ I believe the only reason we will not make money, is if we don't work hard enough, and the team work very hard, so the opportunity is there. In running the trust, I am supported by a large, locally based analyst team across the region, and that is the key competitive advantage of Fidelity International. Looking ahead, I believe the philosophy will work, and if we work hard and don't get complacent, the trust should do well for shareholders.



Nitin Bajaj has been Portfolio Manager of Fidelity Asian Values PLC since 1 April 2015 and Fidelity Funds Asian Smaller Companies Fund since 1 September 2013. Nitin joined Fidelity International in 2003 as a research analyst,

following four years working with KPMG in India as a business analyst. In 2007, he was promoted to Assistant Portfolio Manager for the Fidelity Global Special Situations Fund in the UK, before moving to Fidelity's Mumbai office to manage two of the company's domestic Indian equity funds, which were available to local Indian investors.

Trust Profile

Objective To achieve long-term capital growth principally from the stock markets of the Asian region excluding Japan. The Company's performance will be measured against the return of the MSCI AC Asia ex Japan Small Cap Index total return.

Style Bias Small-cap value

AIC Category Asia Pacific Smaller Companies

Exchange Ticker FAS

Ongoing Costs (ex-Portfolio transaction costs) 0.98% (estimated)

To find out more, scan the QR code, visit fidelity.co.uk/asianvalues or speak to your adviser.



Fidelity China Special Situations PLC

Investing in China's new growth drivers

Dale Nicholls, Portfolio Manager of Fidelity China Special Situations, explains how a fast-growing middle class is increasingly driving stock market returns in China.





Investing in China's most compelling growth drivers Dale Nicholls, Portfolio Manager of Fidelity China Special Situations, explains how a vast and still expanding middle class is increasingly driving stock market returns in China.

China is well established now as a major driver of growth and investment performance, not just in Asia, but in the wider world. The sheer size of China's economy, its continued growth and ever-increasing global importance, should see investors increase their exposure to China as part of a balanced investment portfolio.

Since its launch in 2010, Fidelity China Special Situations PLC has offered direct exposure to China's growth story; from tech giants right the way through to entrepreneurial medium and small-sized companies, and even new businesses which are yet to launch on the stock market. As Portfolio Manager, it is my job to try to identify and invest in companies that are best placed to capitalise on China's incredible transformation.

“The sheer size of China’s economy, its continued growth and ever-increasing global importance, should see investors increase their exposure to China as part of a balanced investment portfolio”

I am fortunate to be able to call on Fidelity’s extensive, locally based, analyst team, to find these future winners through a portfolio of over 100 carefully selected underlying investments.

From my point of view, the drivers of performance of Fidelity China Special Situations PLC have always been – and will always be – the individual stocks that we invest in. Many of the stocks I own play into the growth and development of the domestic consumer. The continued rise and scale of the middle class, its tremendous spending power, increasing aspirations and the way they consume, underpin a number of the portfolio’s investments. Relative to other major markets around the world, many categories of goods and services in China remain underpenetrated, and this creates unparalleled growth potential for companies in such industries as the internet, e-commerce, healthcare and consumer.

The consumption story in China rolls on and will remain a key theme in China over the next decade. This is a natural development of the fast-growing middle class, but it’s also aligned with the government’s goals of trying to bring about a more sustainable growth model that is less reliant on investment and more reliant on consumption.

The portfolio has the ability to invest up to 15% of the company in unlisted stocks. The team have been able to uncover a number of private equity opportunities that have been added to the portfolio, but always with a view to them publicly listing within the next couple of years. We have had some real successes here in the past – most notably with our investment in the online e-commerce platform company

Alibaba, that we held as an unlisted holding for nearly three years before its record-breaking US\$25bn initial public offering.¹

Successes of that magnitude will be rare, but there are a lot of opportunities in China in the unlisted space, and it is a valuable area we continue to explore. In March 2020, a new position in an unlisted company called Pony.ai was added. Pony.ai is China’s leading autonomous driving technology company, based in Silicon Valley and China. We first met the management of Pony.ai as part of our ongoing work on the autonomous driving industry and have been closely following its progress.

Of course, investing in China is not without risk; its debt growth, while on the radar of authorities, remains problematic and will clearly accelerate as part of a necessary response to the 2020 pandemic.

Over the next few years, I am hoping we will see more reform from the government within its State-Owned Enterprises (SOEs). Many SOEs have amazing assets, but are often under-earning, as their focus is often to provide ‘national service’ rather than to realise profit. We are slowly seeing a change in mentality here, and if we do see more reform, there is great potential for selected companies to improve returns, which should translate into an upward movement in their share price.

While there are certainly opportunities in this space, it is worth noting that the core of the portfolio is still very much focused on other types of listed companies, with a preference for smaller and medium-sized firms. This area is less well

known by the market, so there is more mispricing. The more mispriced they are, the more potential upside for these investments.

Identifying small and mid-caps allows us to really make the most of our information advantage from the team we have on the ground in Shanghai and Hong Kong, who are constantly out there looking for new ideas. This research capability is unmatched and helps us identify ideas which haven't really been discovered or are not so well understood by the market.



Dale Nicholls took over as Portfolio Manager of Fidelity China Special Situations PLC on 1 April 2014. Dale has more than 20 years of investment experience, and joined Fidelity as a research analyst in 1996. Dale initially

focused on Japan and managed Japanese sector funds from 1999. He was subsequently appointed Portfolio Manager of the Fidelity Pacific Fund in 2003, which focuses on small and mid-caps in the Asia Pacific region with a significant tilt towards Chinese stocks. Dale has a Bachelor of Business degree from Queensland University of Technology.

Trust Profile

Objective	The investment objective of the company is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies listed in China and Chinese companies listed elsewhere. The company may also invest in listed companies with significant interests in China.
-----------	--

Style Bias	Unconstrained – small/mid-cap value and growth
------------	--

AIC Category	Single Country – Asia Pacific ex Japan
--------------	--

Exchange Ticker	FCSS
-----------------	------

Ongoing Costs (ex-Portfolio transaction costs)	1.08% (estimated)
--	-------------------

To find out more, scan the QR code, visit fidelity.co.uk/china or speak to your adviser.



“มหाराชของไทยทั้งแผ่นดิน”
ข้าพระพุทธเจ้า
บริษัท ซีเอ็มวายเค คัลเลอร์ จำกัด

Fidelity Emerging Markets Limited

An active 'go anywhere' approach to Emerging Markets, with an extended investment toolkit.

Nick Price, Portfolio Manager of Fidelity Emerging Markets Limited explains how he and the team seek positive investment returns from both winners, and losers, in emerging markets.



When Fidelity was approached by the Board about running Fidelity Emerging Markets Limited (as it is now called) in 2021, we were very excited. Over the past thirty years or so, Fidelity has built up extensive capabilities investing in global emerging markets, and the management of closed-end funds - so combining the two represented a real 'sweet spot' for our capabilities.

The case for investing in emerging markets is as clear today as it was when Fidelity launched its first funds in the space in the 1990s. Today, emerging markets are home to 70% of the world's population, half of its land mass and 40% of economic output. The developing world is home to some of the world's fastest growing economies, and many of its most innovative companies. Global supply chains are heavily dependent on emerging markets companies, from cutting edge technology in electric vehicles and artificial intelligence through to traditional manufacturing and commodity producers which are abundant in this resource rich region.

However, in these competitive and fast-moving markets, there are bound to be losers as well as winners, and successfully navigating this large and diverse universe requires a global research capability coupled with local expertise that Fidelity is ideally placed to provide.



"The case for investing in emerging markets is as clear today as it was when Fidelity launched its first funds in the space in the 1990s. Today, emerging markets are home to 70% of the world's population, half of its land mass and 40% of economic output."

In making our proposals to the Board, it was important to us that we provided shareholders and potential investors with a differentiated offering, clearly distinct from the existing listed emerging market focused peers. We also felt it was important to make the fullest use of the closed-end structure by making investments in smaller and less liquid companies or potentially in unlisted companies which are earlier in their development. These smaller and private, unlisted companies are often hard to access and cannot be held in the portfolios of many larger open-ended funds.

Additionally, we wanted to use Fidelity's extensive experience with derivatives to make additional investments (gearing) while also allowing us to seek profits from falling asset prices by 'shorting' companies that we believe will not perform well.

This approach has resulted in Fidelity Emerging Markets Limited having some of the broadest investment powers and permitted investments within its peer group.

The portfolio is run in an unconstrained manner and reflects the very best ideas from across the emerging markets. Stock selection is bottom-up and driven by fundamentals and the team take a consistent approach, focusing on quality, consistency of returns and a reasonable price.

When shorting companies that we believe will not perform well, we look for the opposite characteristics. Potentially overpriced businesses with poor quality management in competitive and overcrowded sectors.

Commonly, we will go 'long' investments in companies that we think will do well in their specific sector and go 'short'

those companies we think will do badly. This is a means of expressing a positive view and a negative view on individual companies, with the overall objective of adding value from both decisions. Here we seek to exploit the divergent prospects between two companies. In practice, this might mean that we may go 'long' an airline which has an increasingly appealing consumer offering such as a low-cost carrier and 'short' a high-cost carrier, acknowledging that loss of market share is likely to be a persistent feature for the higher cost, less competitive, company.

Shorting provides an additional source of return, allows us greater flexibility in constructing a portfolio which comprises a diverse range of business and can serve to reduce volatility. The intention of all investments, whether long or short, is to maximise potential returns across the market cycle with a strong focus on risk control.

Overall, the portfolio is constructed in a benchmark agnostic manner, only owning stocks if they satisfy the selection criteria and offer an adequate level of total return. Sector and country allocation are therefore the result of the underlying individual long and short positions.

With that said, the portfolio is managed with a view that emerging markets will perform well over the long term. The Company maintains a net positive (long) exposure to the market overall, roughly equivalent to its total net assets. It achieves this by using derivatives to 'gear' the long exposure of the portfolio to the market to be roughly 130% relative to its balance sheet valuation. This is offset by roughly 30% short investments. The gross value of the long plus short positions



Nick Price joined Fidelity in January 1998 as a research analyst covering several pan-European sectors before being selected as the assistant Portfolio Manager for Fidelity's flagship European Growth Fund in September 2004

Nick led the development of Fidelity's Emerging EMEA group, launching the team's first portfolio in 2005. The investment process has been consistently used by the current team since it was first adopted in 2005 and remains the cornerstone of Fidelity's emerging markets equity strategies.



Chris Tennant, Co-Portfolio Manager for the FAST-Emerging Markets strategy, joined Fidelity in January 2011 as an Equity Analyst, covering European Transportation. In October 2012, he rotated onto the London based EM team

to cover EMEA and Latin America Metals & Mining stocks. In January 2015, Chris was chosen by Nick to undertake a newly created EM shorting analyst role. Since then, they have worked in close partnership to identify opportunities for the short book, initially focused EMEA and Latin America. In July 2019, Chris was appointed to an as Assistant Portfolio Manager on the FAST-Emerging Markets strategy, before his subsequent promotion to Co-Portfolio Manager in 2021. In this role, Chris' primarily focus remains on the short book. He continues to work in conjunction with the wider team of short analysts contributing to the strategy. In parallel with these responsibilities Chris is a member of the Emerging EMEA and Latin America Equities portfolio management teams. Chris has spent his entire career at Fidelity. He holds a master's degree in Engineering from Imperial College London.

therefore exceeds the market by roughly 60% but the overall exposure to the market is broadly in line with ungeared peers.

This investment approach is one which has been tried and tested by the team over the last decade, however, it should be acknowledged, that the use of these different investment types changes the nature and overall profile of the risks of the portfolio, and that performance may differ substantially from the Emerging Markets index.

Trust Profile

Objective	To achieve long term growth by primarily investing in companies whose head office, listing, assets, operations, income, or revenues are predominantly in or derived from emerging markets. The Company is also able to use derivatives for efficient portfolio management, to gain additional market exposure and to seek a positive return from falling asset prices.
-----------	--

Style Bias	Large-cap core (blend)
------------	------------------------

AIC Category	Global Emerging Markets
--------------	-------------------------

Exchange Ticker	FEML
-----------------	------

Ongoing Costs (ex-Portfolio transaction costs)	1.05% (estimated)
--	-------------------

To find out more, scan the QR code, visit fidelity.co.uk/emergingmarkets or speak to your adviser.





Fidelity European Trust PLC

Focusing on strong and sustainable dividend payers

Sam Morse, Portfolio Manager of Fidelity European Trust, explains why companies that can sustainably grow dividends tend to reward investors over time.



The approach I take to managing Fidelity European Trust PLC is to look beyond the economic and political noise, and concentrate on the real-life progress of listed businesses across this large and diverse region. In running the trust, I focus on researching and investing in stocks I believe can grow their dividends consistently, irrespective of the prevailing economic backdrop. History shows that these companies tend to outperform the market over the longer term.

Companies with the cushion of a health and growing dividend, also tend to be resilient during periods of macroeconomic uncertainty. By aiming to invest in solid and sustainable dividend-paying stocks, I believe Fidelity European Trust PLC provides core defensive exposure to European equities.



“I focus on researching and investing in stocks I believe can grow their dividends consistently, irrespective of the prevailing economic backdrop”

Since the launch of Fidelity European Trust over 30 years ago, Europe has witnessed its fair share of political and economic upheaval. It's important to note though, that however significant changes might be on the political stage, the corporate sector carries on regardless.

I am naturally cautious and I am not inclined to take large bets against the market in individual sectors or countries, preferring instead to focus on companies which I believe will be able to outperform their competition over the longer term. My process is therefore built from the bottom up, looking at individual businesses, but keeping an eye on the wider market to avoid unexpected pitfalls. On this basis I look to build a portfolio of 40-50 attractively valued companies, with strong balance sheets and a track record in cash generation, which have the potential to grow dividends consistently on a three to five-year view. This type of company offers a good combination of fundamental value and therefore downside protection, as well as good growth prospects likely to be rewarded by the market in future. Historic data shows that companies of this nature tend to outperform, however the trick is to identify those future dividend growers before they have done so – and importantly, before the rest of the market. This requires time and discipline from me and our analyst team in London and throughout Europe.

The outlook for Europe is encouraging, despite post-pandemic uncertainty and geopolitical tensions leading to growing inflation, but regardless of the economic performance of Europe as a whole, the fact remains that Europe is a well-diversified market with a long list of world-

leading companies. The market in Europe continues to favour quality growth stocks, which are however very expensive today. Earnings, although still growing year on year, are being revised down slightly as input prices continue to rise, thereby squeezing margins for companies with weak pricing power. In this environment, the trust will remain focused on good-quality companies that have pricing power and can continue to grow their dividends.

Clearly there is potential for further geo-political shocks. How all this plays out is anyone's guess. I've always felt trying to predict these cycles, or time the market, is something of a mug's game. So I therefore remain focused on the individual companies we see before us, aiming to outperform across the full market cycle whilst remaining fully invested and balanced in terms of sector exposure and position sizes.



Sam Morse joined Fidelity in 1990 and spent seven years with the company as a research analyst, covering pan-European retail stocks, and then as a portfolio manager, running funds including the Fidelity Income

Plus Fund, the Fidelity Growth & Income Fund and the Fidelity MoneyBuilder Growth Fund. He then left Fidelity to be Head of UK Equities at M&G. Sam returned to Fidelity in 2004 to manage UK equities for institutional clients. He managed the Fidelity MoneyBuilder Growth Fund from December 2006 for three years before becoming Portfolio Manager for the Fidelity European Fund, which he continues to run today. He assumed responsibility for Fidelity European Trust PLC in January 2011.



Marcel joined Fidelity as an analyst in 2014. In addition to his analyst responsibilities Marcel was also promoted to head the cyclicals segment of the European analysts 'best ideas' fund in 2018.

He first joined the Fidelity equities team as an MBA intern (covering US tech) before being hired fulltime to cover European Software and IT services and thereafter European Aerospace, Defence and Airlines. Prior to joining Fidelity, Marcel worked as an investment banker at Barclays. Marcel holds an MBA (INSEAD), is a CFA charter holder and graduated with a Business Science (Hons) in Finance from the University of Cape Town.

Trust Profile

Objective	The company aims to achieve long-term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.
-----------	--

Style Bias	Large-cap growth
------------	------------------

AIC Category	Europe
--------------	--------

Exchange Ticker	FEV
-----------------	-----

Ongoing Costs (ex-Portfolio transaction costs)	0.86% (estimated)
--	-------------------

To find out more, scan the QR code, visit fidelity.co.uk/Europe or speak to your adviser.



Fidelity Japan Trust PLC

Using research and local knowledge to find winning companies, large or small

Nicholas Price, Portfolio Manager of Fidelity Japan Trust, talks about investing in the land of the rising sun.



In recent years, there has been a resurgence of interest in investing in Japan. One of the key drivers of this has been a change in corporate mindsets and a greater focus by the management of Japanese-listed companies on creating value for minority shareholders. This has been brought about by an integrated set of policies designed to encourage greater capital efficiency and return on equity from Japanese companies. This has boosted shareholder returns, which has in turn encouraged investment from overseas – lifting Japanese markets as a whole.



“I invest with a ‘growth at reasonable price’ investment style and approach – which involves identifying companies whose growth prospects are being underappreciated or are not fully recognised by other investors”

When investing I deploy a ‘growth at reasonable price’ investment style and approach – which involves identifying companies whose growth prospects are being underappreciated or are not fully recognised by other investors. I have a stylistic bias towards smaller and medium-sized companies because they tend to be less researched (and therefore there is a greater opportunity to find mispriced stocks), though companies may exist in all areas of the market and, when I identify them, it would be a shame to exclude them from an investment portfolio based on size alone. A key part of my investment process is detecting signs of change in a company’s fundamental strengths (such as balance sheet or sales), its market or regulatory environment, sentiment and valuations.

Among the most appealing aspects of managing an investment trust portfolio is the ability to invest in companies which have not yet listed. We typically see around 100 initial public offerings (IPOs) per year in Japan, predominantly on the TSE Mothers’ Index and other start-up markets. Being on the ground means that we see a lot of the new ideas and business models that are coming to market first-hand. What we have also seen in recent years is that the number of sell-side analysts covering IPOs has consistently declined, which creates opportunities for bottom-up managers like me, who are willing to do the leg work and identify the most attractive investment cases.

I believe it is vital to maintain a strong sell discipline by naturally trimming outperformers and recycling new ideas, retesting the mid-term growth thesis for signs of change

and moving on if there are more attractive opportunities elsewhere. It was an insatiable sense of curiosity that first led me to Fidelity and into fund management. My eyes were opened by Peter Lynch, an American investor and former Fidelity employee, and specifically his book, ‘One Up on Wall Street’, that got me hooked on the world of investing. It really highlighted the importance of company research and turning over a lot of stones every day to find new investment ideas. I have a deep interest in understanding how cultural differences shape the way in which companies are run across the globe. In many ways, this naturally led me to Japan, as companies there are very different from those in the West, in terms of their various management styles and business models. I was born in the UK, but have been based in Tokyo for more than 20 years. I’m fluent in Japanese, having studied at Keio University, and this is a huge advantage when meeting the key decision-makers at the companies I invest in and scouting for new ideas on the ground in Japan. For me, it’s all about joining the dots between different ideas and forming a new line of enquiry. It may sound odd, but it’s similar to how I would link disparate historical events to figure out the connections behind them when I was a university student. I focus on gathering multiple information sources: from attending industry conferences to visiting university professors, and talking to unlisted companies or consulting senior management. You just need to keep researching until you gain reasonable conviction in the investment thesis.



Nicholas Price joined Fidelity Investments Japan in 1993 and spent six years as a research analyst covering the retail, banking, brokerage, consumer electronics and pharmaceuticals sectors.

In 1999, Nicholas was promoted to Portfolio Manager, running Japanese equity mandates for domestic institutions. He now manages a number of Japanese equity portfolios on behalf of both domestic and overseas clients, including the FF Japan Aggressive Fund. Nicholas graduated from Cambridge University with an MA in History and studied Japanese at Keio University.

Trust Profile

Objective	The company aims to achieve long-term capital growth by investing predominantly in equities and their related securities of Japanese companies.
Style Bias	Mid-cap growth
AIC Category	Japan
Exchange Ticker	FJV
Ongoing Costs (ex-Portfolio transaction costs)	0.98% (estimated)

To find out more, scan the QR code, visit fidelity.co.uk/japan or speak to your adviser.





Fidelity Special Values PLC

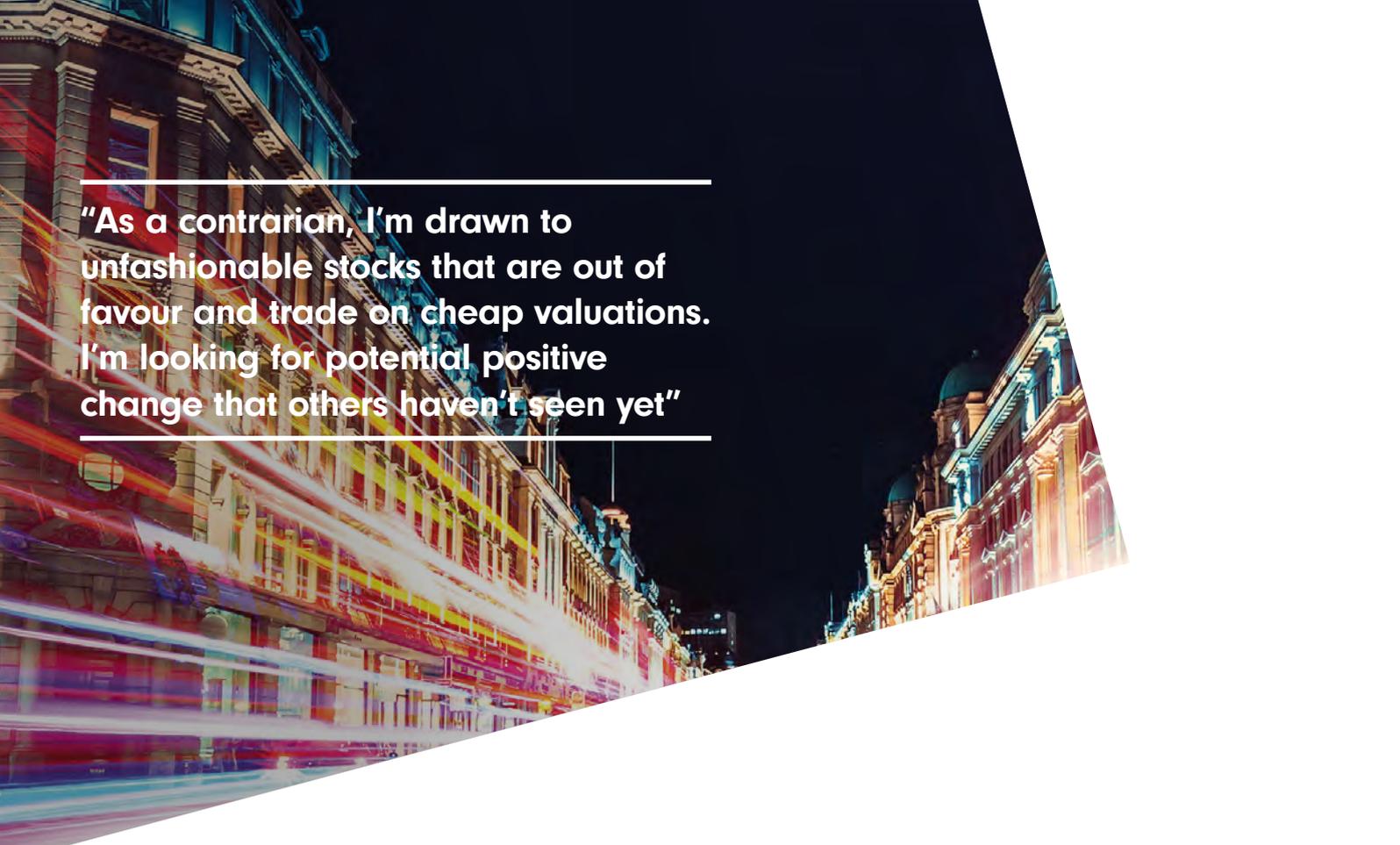
Looking at UK markets differently

Alex Wright, Portfolio Manager of Fidelity Special Values, explains the benefits of contrarian investing.



Since becoming manager, the board and I have worked together to develop Fidelity Special Values PLC, continuing its history as an actively managed, contrarian investment trust which we hope is appealing to both existing and potential investors alike.

I have run the portfolio since 2012 and during that time I have continued to invest on behalf of the company's shareholders using the same value-focused, contrarian approach used since it was established under the care of Anthony Bolton over 25 years ago.



"As a contrarian, I'm drawn to unfashionable stocks that are out of favour and trade on cheap valuations. I'm looking for potential positive change that others haven't seen yet"

My investment style is very much in keeping with Fidelity Special Values' heritage and history - looking for companies whose potential for share price growth or recovery has been overlooked by the market. I focus on unloved companies where things can improve, and invest in companies of all sizes. I hope, in doing so, to position the company as the investment of choice for those seeking exposure to UK-listed companies, but with the benefit of investing up to 20% of the portfolio in listed companies on overseas exchanges, in order to enhance shareholder returns.

As a contrarian, I'm drawn to unfashionable stocks that are out of favour and trade on cheap valuations. I'm looking for potential positive change that others haven't seen yet. I also look to only invest in only companies where I understand the potential downside risk, to limit the possibility of losses.

Investing against the tide is a psychologically difficult thing to do - it can lead to periods of relative underperformance while you wait for the value of a business to be recognised. Humans are social animals, and behave socially when making investment decisions. It takes a particular mindset and a highly disciplined approach to execute a contrarian investment process successfully. Often the best time to invest is when things look at their worst.

Central to the long-term success of our approach, have been company research and making full use of the insight and expertise of our large team of analysts. Fidelity's philosophy is to base investment decisions on company fundamentals such as competitive position, management

strength, growth opportunities, valuation and so on. Overarching trends in the economy (top-down factors) play a supplementary rather than primary role in our investment decisions.

Our investment team spend many thousands of hours meeting company management, speaking to suppliers, competitors and customers in order to build up a picture of the true state of a company's fundamentals. It is this work that allows us to form a view of the company's future profitability and ultimately decide whether we consider it an attractive investment for our shareholders.

Ideally, I want to invest in companies that are exceptionally cheap on relevant measures, or which have some kind of asset that should prevent their share prices falling below a certain level. This can be anything from inventory to intellectual property that gives a margin of safety.

I look for companies where I believe perception by the wider market may shift due to changes in the company's competitors or market, a new product line or an expansion into new business areas. I also impose a strict sell discipline on myself once the recovery has taken place.

Within the investment trust structure, I am able to take positions in smaller and less liquid companies; its closed ended structure and stable pool of assets allow me to establish larger weights, which would not be possible if I had to worry about flows into and out of the fund.

The relative illiquidity of holdings can sometimes make their share prices more volatile, but I am not a forced seller in downward markets (indeed I often view them as opportunities to buy more shares at good value), and I believe in the long-term rewards of smaller companies.

Within the trust, I can also use gearing to enhance long-term capital growth – and to take advantage of shifts in market valuations. I use Contracts for Difference to gear, as these represent the most flexible and cost-effective option.



Alex Wright joined Fidelity in 2001 as a research analyst and has covered a number of sectors across the market cap spectrum, both in the UK and in developed and emerging Europe. He has been Portfolio Manager of Fidelity UK Smaller Companies Fund since its launch in February 2008. He took over responsibility for the company's portfolio on 1 September 2012 and was also appointed as Manager of Fidelity Special Situations Fund in 2013. Alex has a BSc (Economics) from Warwick University, where he graduated with First Class Honours, and he is also a CFA Charterholder.



Jonathan Winton joined Fidelity as an analyst in 2005, and has since covered pan European Support Services, Small Cap Technology and Beverages & Tobacco. He is the Lead Portfolio Manager of Fidelity UK Smaller Companies Fund and has worked alongside Alex Wright in the Fidelity UK equities team since 2013. He became co-portfolio manager on the Trust in February 2020.

Trust Profile

Objective	The investment objective of Fidelity Special Values PLC is to achieve long-term capital growth primarily through investment in equities (and their related securities) of UK companies which the investment manager believes to be undervalued or where the potential has not been recognised by the market.
Style Bias	Mid-cap value
AIC Category	UK All Companies
Exchange Ticker	FSV
Ongoing Costs (ex-Portfolio transaction costs)	0.72% (estimated)

To find out more, scan the QR code, visit fidelity.co.uk/specialvalues or speak to your adviser.



Investment trust features

Investment trusts offer a unique range of features that many experienced investors have come to value.

Public limited company (PLC)

Unlike funds such as OEICs, investment trusts are public limited companies (PLCs). By buying their shares, you become a shareholder in the company, to whom the board and manager of the company are accountable. Like other PLCs, their shares trade on the London Stock Exchange. Each trust must hold an Annual General Meeting for shareholders and publish an annual report and accounts.

Independent board

As a PLC, each investment trust must have a board of directors, independent of the fund manager, to make sure the trust is being managed in the best interests of its shareholders.

Long-term view

Investment trusts have a fixed number of shares, so managers have a stable base of capital to invest. This gives them a high level of control and the flexibility to build a long-term strategy.

Gearing

Investment trusts have the ability to borrow additional money to invest, known as gearing. This can enhance potential investment returns, but gearing can also increase the investment risk of a trust, so while gearing can boost gains, it can also magnify losses. All our investment trusts have the ability to use bank loans, bank overdrafts and derivative instruments such as Contracts for Difference (CFDs) to

increase their exposure to stocks. CFDs are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly. The use of gearing and derivative instruments by investment trusts may increase the level of volatility in the net asset value and share price.

Dividends

Investment trusts may pay out the profits they have made from their investments as dividends. They can also hold back profits in good times, to help boost dividends when market conditions are tougher. With Fidelity's Investment Trusts, dividends can be taken as income, or automatically reinvested to buy more shares in your chosen investment trusts.

Discounts and premiums

Like other PLCs whose shares trade on the London Stock Exchange, an investment trust's share price will be driven by demand. This means its shares can trade at more than the value of its underlying investments (at a 'premium') or less (at a 'discount'). This is an important difference from OEICs and unit trusts, which simply track the value of their underlying portfolio (or 'net asset value', NAV).

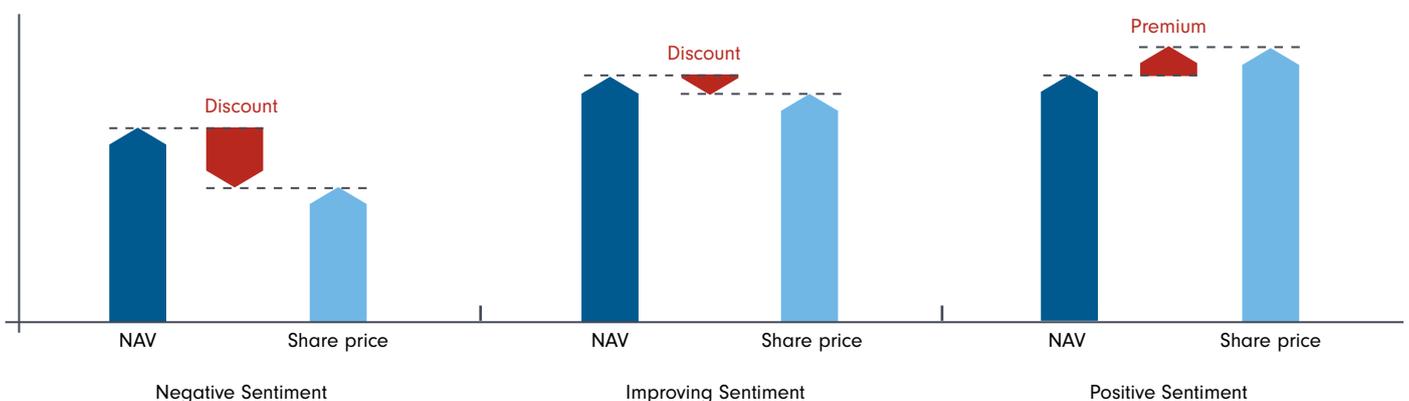
Some investors view trusts that trade at a discount as a buying opportunity. But investment trusts will try to limit how far their share price falls below the net asset value, on behalf of their existing investors.

How discounts and premiums compare

Discounts and premiums can vary for a range of reasons. For example, in rising markets, discounts tend to get smaller because investors generally feel confident and expect prices to rise further. Demand for an investment trust's shares can push a price discount closer to the net asset value of the trust as illustrated below or, in rarer cases, even result in investors paying a premium above net asset value. Conversely, in falling markets, investors tend to feel less confident about future prices, so discounts can get larger as markets fall, making investment trust share prices cheaper than an equivalent OEIC or unit trust. Some investors may therefore view a discount as an opportunity to buy into a market at a lower cost.

Discounts and premiums can compound the effect of rising and falling markets on an investment trust price and, if there is also gearing within the trusts, gains or losses can be magnified still further, which may suit investors with a higher risk appetite. Of course, it's important to remember that you need to take several factors into account when choosing an investment trust, not just price discounts and premium. In addition to the risk that the market as a whole will rise or fall, you need to consider how the trust's portfolio will perform against the market, what the current discount or premium is and where it might be heading, whether the manager can successfully manage the fund to provide positive returns in the future, and what extra volatility or risk will be created by the trust's gearing.

The potential effect of a market recovery



Our global expertise

Fidelity's global network of investment professionals gives you access to compelling opportunities, wherever they are in the world.

Investing successfully across world markets requires insight, resources and connections to identify the best opportunities. Fidelity has the global access you need. We have a network of over ¹400 investment professionals across the UK, Europe, Japan, China and Asia.

Although there is no guarantee of future results, using on-the-ground, first-hand research, we are able to assess companies in depth to find those that we believe have the ability to deliver better-than-average returns to long-term investors.

Our investment trust managers all use a 'bottom-up' approach – trying to identify companies that will deliver market-beating investment returns using our key information advantage – our investment experts. This means they seek out companies that, for various reasons, may be undervalued, out of favour or overlooked by most other investors, or which simply have fundamental qualities which means they can deliver on their growth potential.

Fidelity has a long history of helping people meet their financial goals. We have a reputation for developing innovative investment products, and we pride ourselves on providing clear information to help you make investment decisions. For more information on our investment trusts, visit [fidelityinvestmenttrusts.com](https://www.fidelityinvestmenttrusts.com)

Fidelity – Global Investment Resources and Sustainable Investing Resources



Source: Fidelity International, 31 December 2021. Data is unaudited.

¹ Portfolio Managers include equity, fixed income, real estate, multi asset and derivatives teams.

² Fixed Income Research includes quantitative/credit analysts.

³ Other Research includes derivatives and quantitative experts, Risk Management Professionals & Across Asset Class.

⁴ Sustainable Investing Analysts include dedicated members of the Sustainable Investing Team. Some Sustainable investing resources also perform portfolio management role. Two members of the Sustainable Investing Team are on sabbatical.

⁵ Research resources include 37 resources who also perform a Portfolio Management role and Multi asset research include two economists.

⁶ Equity Research Support is comprised of research specialists based in Asia.⁷ Toronto based fund managers and research analysts are a part of Fidelity Canada Investment Management. Fidelity Canada Investment Management is an affiliated entity of Fidelity International.

Find out more...

How to find information about Fidelity's investment trusts and how to invest in them.

Visit our website [fidelityinvestmenttrusts.com](https://www.fidelityinvestmenttrusts.com)

On our website, you can find:

- Monthly factsheets on each trust including the portfolio mix, charges and up-to-date commentary from the Portfolio Manager
- Current share price and past performance
- Daily factsheets, providing you with daily NAV, share prices, discount and gearing information
- Downloadable annual and interim reports
- Video updates and interviews with the portfolio managers, giving their current views on the markets and their preferred areas to invest

Important information

The latest annual reports, key information document (KID) and factsheets can be obtained from our website at www.fidelity.co.uk/its or by calling **0800 41 41 10**. The full prospectus may also be obtained from Fidelity.

The Alternative Investment Fund Manager (AIFM) of Fidelity Investment Trusts is FIL Investment Services (UK) Limited.

Get in touch with us

Email & Messaging

- For all Fidelity account related enquiries please log in to **fidelity.co.uk** and send us a secure message
- For shareholders on the main register, please email: **enquiries@linkgroup.co.uk**
- For accounts held within another platform or distributor, please contact them directly

By Phone

- Shareholders on the main register:
0871 664 0300 Monday to Friday 8.30am to 5.30pm
- Fidelity Personal Investing Clients:
0800 414161 Monday to Friday 8am to 6pm and Saturdays 9am to 2pm
- Investing with an adviser clients:
0800 358 4060 Monday to Friday 9am to 6pm
- Fidelity Adviser Solutions:
0800 414181 Monday to Friday 8.30am to 6pm

By Post

Company Secretary

Fidelity International Investment Trusts
Company Secretary
Beach Gate, Millfield Lane
Lower Kingswood, Tadworth
Surrey KT20 6RP

Company Registrars

Link Asset Services
34 Beckenham Road
Kent BR3 4TU

