# FIDELITY CHINA SPECIAL SITUATIONS PLC

**31 JANUARY 2015**

## Investment Objective

Fidelity China Special Situations PLC is focused on the long-term growth potential of China. The portfolio is made up primarily of securities issued by companies listed in China or Hong Kong and Chinese companies listed elsewhere. It may also invest in listed companies with significant interests in China and Hong Kong.

## Investment Trust Facts

| | |
|---|---|
| Launch date: | 19.04.10 |
| Portfolio manager: | Dale Nicholls |
| Appointed to trust: | 01.04.14 |
| Years at Fidelity: | 19 |
| Total Net Assets (TNA): | £ 888m |
| Ordinary shares in Issue: | 571,254,480 |
| Share price: | 135.00p |
| NAV: | 155.52p |
| Discount: | 13.19% |
| Gearing: | 26.73% |

## Performance Comparator

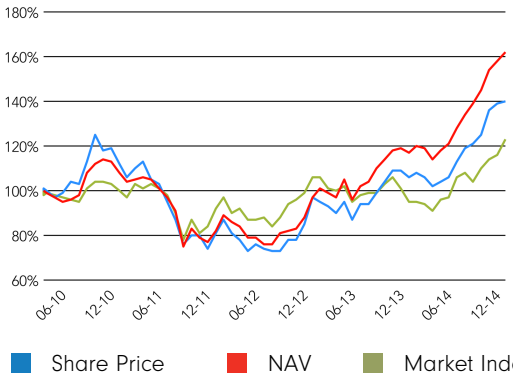
| | |
|---|---|
| Market Index: | MSCI CHINA (N) |

The same index is used in the positioning tables on this factsheet. Past performance is not a reliable indicator of future results. The value of investments can go down as well as up and you may get back less than you invested.

## Portfolio Manager Commentary

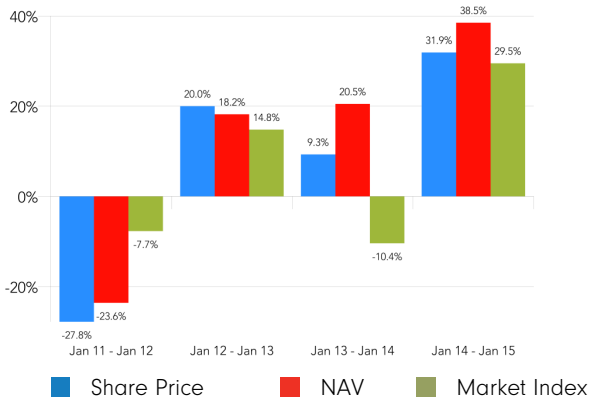
China's 2014 GDP has been confirmed at 7.4%, below the government's target but better than consensus. Whether GDP growth is 7% or 8%, it is still enviable in a global context and a strong environment for companies to grow. A lower growth rate is now widely accepted but it is important to monitor government commentary on outlook and future policy. I would not be disappointed to see a lower growth target announced, it would suggest less focus on investment-led growth and more on sustainable growth led by consumption, and on driving structural reforms. My macroeconomic view is subdued but I think the market can get so engrossed in headline-grabbing numbers such as GDP and property prices it misses the real long-term opportunities; reform and the shift to a consumer-driven economic model. These reforms will provide a foundation for China's next phase of development. This and attractive valuations make China an opportunity for investors. China's stock market performance, compared with other markets in recent years, is not due to poor earnings growth. MSCI China earnings have outstripped US growth significantly. Underperformance is primarily due to market de-rating, but with China trading at 9.5x price-to-earnings compared with the S&P 500 at 18x this cannot continue forever. What matters is the execution of strategy by companies in the portfolio. I expect them to increase earnings in the next year, and at some point I expect this earnings growth to be reflected in performance.

## Cumulative performance in GBP (%)




Performance is shown for the last five years (or since launch for funds launched within that period).

## Performance for 12 month periods in GBP (%)




## Performance to 31.01.15 in GBP (%)

| | 1m | 3m | YTD | 1yr | 3yr | 5yr | Since 16.04.10* |
|---|---|---|---|---|---|---|---|
| Share Price Cumulative Growth | 0.9 | 11.6 | 0.9 | 31.9 | 72.9 | | 39.8 |
| NAV Cumulative Growth | 2.6 | 12.2 | 2.6 | 38.5 | 97.2 | - | 62.3 |
| Index Cumulative Growth | 6.2 | 11.9 | 6.2 | 29.5 | 33.2 | 40.0 | 22.8 |
| Share Price Annualised Growth | - | - | - | 31.9 | 20.0 | | 7.2 |
| NAV Annualised Growth | - | - | - | 38.5 | 25.4 | - | 10.6 |
| Index Annualised Growth | - | - | - | 29.5 | 10.0 | 7.0 | 4.4 |

Basis: bid-bid with net income reinvested, in GBP, net of fees.
Market indices are sourced from RIMES and other data is sourced from third-party providers such as Morningstar.
*Performance commencement date.

## Key Risks

The value of investments can go down as well as up and you may not get back the amount invested. Overseas investments may be more volatile than established markets. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility.

Fidelity™ WORLDWIDE INVESTMENT

# FIDELITY CHINA SPECIAL SITUATIONS PLC



## Equity Exposure % Total Net Assets (% TNA)

| | Exposure (% TNA) |
|---|---|
| Gross Asset Exposure | 126.73 |
| Net Equity | 122.6 |
| Other | -11.3 |
| Uninvested Cash | 0.0 |

Notes on Portfolio Construction and a description of how data is calculated and presented are on page 3. Definitions of the terms used in the Equity Exposure table are in the Glossary.

## Market Capitalisation Exposure (% TNA)

| GBP | Net | Index | Relative |
|---|---|---|---|
| >1Ubn | 30.3 | 59.0 | -28.7 |
| 5-10bn | 2.1 | 17.1 | -15.0 |
| 1-5bn | 21.1 | 22.4 | -1.3 |
| 0-1bn | 49.3 | 1.5 | 47.8 |
| **Total Market Cap Exposure** | **102.8** | **100.0** | |
| Other Index / Unclassified | 19.8 | 0.0 | |
| **Total Equity Exposure** | **122.6** | **100.0** | |

## Sector/Industry Exposure (% TNA)

| GICS Sector | Net | Index | Relative |
|---|---|---|---|
| Consumer Discretionary | 28.0 | 4.6 | 23.4 |
| Information Technology | 24.9 | 13.5 | 11.4 |
| Financials | 24.5 | 40.0 | -15.4 |
| Industrials | 11.7 | 6.9 | 4.8 |
| Health Care | 10.7 | 2.2 | 8.5 |
| Utilities | 5.0 | 4.1 | 0.9 |
| Consumer Staples | 4.9 | 4.3 | 0.6 |
| Materials | 4.7 | 2.4 | 2.3 |
| Energy | 3.8 | 10.2 | -6.4 |
| Telecommunication Services | 1.8 | 11.8 | -10.0 |
| **Total Sector Exposure** | **120.2** | **100.0** | |
| Other Index / Unclassified | 2.4 | 0.0 | |
| **Total Equity Exposure** | **122.6** | **100.0** | |

## Country Exposure (% TNA)

| | Net | Index | Relative |
|---|---|---|---|
| China | 88.5 | 100.0 | -11.5 |
| Hong Kong | 26.1 | 0.0 | 26.1 |
| Grand Cayman (UK Overseas Ter) | 3.9 | 0.0 | 3.9 |
| Taiwan | 1.5 | 0.0 | 1.5 |
| United Kingdom | 1.3 | 0.0 | 1.3 |
| Singapore | 0.9 | 0.0 | 0.9 |
| Australia | 0.4 | 0.0 | 0.4 |
| **Total Country Exposure** | **122.6** | **100.0** | |
| Other Index / Unclassified | 0.0 | 0.0 | |
| **Total Equity Exposure** | **122.6** | **100.0** | |

## Top Net Long Positions (% TNA)

| | GICS Sector | Country | Net | Index | Relative |
|---|---|---|---|---|---|
| TENCENT HLDGS LTD | Information Technology | China | 8.90 | 10.30 | -1.40 |
| PING AN INS GROUP CO CHINA LTD | Financials | China | 5.80 | 3.30 | 2.50 |
| CHINA PAC INS GROUP CO LTD | Financials | China | 4.10 | 1.50 | 2.60 |
| LEE'S PHARMACEUTICAL HLDGS LTD | Health Care | Hong Kong | 2.50 | 0.00 | 2.50 |
| HUTCHISON CHINA MEDITECH LTD | Health Care | Hong Kong | 2.40 | 0.00 | 2.40 |
| NETEASE INC | Information Technology | China | 2.20 | 0.00 | 2.20 |
| SAIC MOTOR CORPORATION LTD | Consumer Discretionary | China | 2.10 | 0.00 | 2.10 |
| ALIBABA GROUP HOLDING LTD | Information Technology | Grand Cayman (UK Overseas Ter) | 1.90 | 0.00 | 1.90 |
| CITIC SECURITIES CO LTD | Financials | China | 1.80 | 0.40 | 1.40 |
| DAQIN RAILWAY CO LTD | Industrials | China | 1.80 | 0.00 | 1.80 |

## Top Overweight Positions (% TNA)

| | Net | Index | Relative |
|---|---|---|---|
| CHINA PAC INS GROUP CO LTD | 4.1 | 1.5 | 2.6 |
| LEE'S PHARMACEUTICAL HLDGS LTD | 2.5 | 0.0 | 2.5 |
| PING AN INS GROUP CO CHINA LTD | 5.8 | 3.3 | 2.5 |
| HUTCHISON CHINA MEDITECH LTD | 2.4 | 0.0 | 2.4 |
| NETEASE INC | 2.2 | 0.0 | 2.2 |
| SAIC MOTOR CORPORATION LTD | 2.1 | 0.0 | 2.1 |
| ALIBABA GROUP HOLDING LTD | 1.9 | 0.0 | 1.9 |
| DAQIN RAILWAY CO LTD | 1.8 | 0.0 | 1.8 |
| GREEN DRAGON GAS LTD | 1.6 | 0.0 | 1.6 |
| GREE ELEC APPL INC | 1.6 | 0.0 | 1.6 |

## Top Underweight Positions (% TNA)

| | Net | Index | Relative |
|---|---|---|---|
| CHINA MOBILE LTD | 0.0 | 9.5 | -9.5 |
| CHINA CONSTR BK CORP | 0.0 | 6.8 | -6.8 |
| INDUSTRIAL & COML BK CHINA | 0.0 | 6.2 | -6.2 |
| BANK CHINA LTD | 0.0 | 5.2 | -5.2 |
| CHINA LIFE INSURANCE CO LTD | 0.0 | 3.4 | -3.4 |
| CNOOC LTD | 0.0 | 2.7 | -2.7 |
| PETROCHINA CO LTD | 0.0 | 2.7 | -2.7 |
| CHINA PETROLEUM & CHEM CORP | 0.0 | 2.4 | -2.4 |
| CHINA OVERSEAS LAND & INV LTD | 0.0 | 1.4 | -1.4 |
| TENCENT HLDGS LTD | 8.9 | 10.3 | -1.4 |

## Net Long Positions Concentration (% TNA)

| | Fund | Index |
|---|---|---|
| Top 10 | 33.5 | 52.5 |
| Top 20 | 49.3 | 63.8 |
| Top 50 | 80.6 | 80.6 |

# FIDELITY CHINA SPECIAL SITUATIONS PLC



## Approach and Style

Fidelity China Special Situations seeks out investments in:
- Companies with good long-term prospects
- Cash generative businesses
- Companies controlled by strong management teams

Ideally these factors are not well understood by the market, and are therefore not reflected in valuations. The manager also focuses on smaller companies as these tend to be less well researched and, therefore, more mispriced. However, smaller companies tend to be higher risk, so risk management is key and meeting company management teams is essential in order to understand them and monitor their progress. He also stresses that investors must take a long-term view, and patience is sometimes required for these factors to be recognised.

Overall, the manager looks for undervalued companies that can deliver over the long-term.

## Administrative & Dealing Information

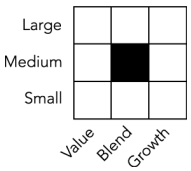
| | |
|---|---|
| Reference currency: | UK Sterling (GBP) |
| Company domicile: | United Kingdom |
| Company legal structure: | Investment trust |
| Capital guarantee: | No |
| ISIN: | GB00B62Z3C74 |
| SEDOL: | B62Z3C7 |
| Distribution frequency: | Annual |
| Charges made to income or capital: | Both equally |
| Ongoing Charges Figure (OCF) per year: | 1.45% (31.03.14) |
| OCF takes into account annual management charge: | 1.00% (Net) |

*OCF of 1.45% included annual management charge of 1.20% (net) up to 31.03.14, 1.00% (net) thereafter. The Directors estimate that OCF for the current year will be in the region of 1.25% (net) p.a.

## Independent Assessment

Information in this section is the latest available at date of publication. Further details can be found in the Glossary section of this factsheet. As some ratings agencies may use past performance to produce their assessments, these are not a reliable indicator of future results.

**Morningstar Style Box ®**




## Portfolio Construction – Explained

This factsheet contains information about the composition of the fund at a particular point in time. It aims to help you understand how the fund manager is positioned to achieve the fund's objectives.

The Equity Exposure table provides an overall view of the fund. Net Equity represents - in percentage terms - how much of the fund is invested in the market, netting off long and short positions. The higher the figure, the more the fund will take part in any market rises (or falls). It is important to note that Net Equity can be greater than 100% (for example if the manager is using derivative contracts).

The exposure and positioning tables on page 2 break the fund down into a number of different views, each providing a different perspective on the fund's investments.

## How data is calculated and presented

Portfolio composition data has been calculated and presented according to several general principles, which are listed below.

- **Aggregation:** all investments, including derivatives, linked to a particular issuing company have been combined to form a total percentage holding for each company. The aggregate holding is referred to in this factsheet as a position. Where a company is listed in two separate countries, each listing may be classified as a separate issuing company.

- **Categorisation:** for aggregated investments we use the underlying attributes of the issuing company or common share to determine the appropriate sector, market capitalisation band and geographic area.

- **Derivatives:** all derivatives are included on an exposure basis and, where necessary, are delta-adjusted. Delta-adjusting expresses derivatives in terms of the equivalent number of shares that would be needed to generate the same return.

- **"Basket" securities:** securities that represent a number of company shares – like index futures or options – are allocated to categories (such as country) whenever possible. Otherwise they are included in the "Other Index / Unclassified" category.

## Glossary / Additional Notes

### Equity Exposure notes

GROSS ASSET EXPOSURE

Gross Asses Exposure expresses the value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the derivatives, but excluding forward currency contracts).

NET EQUITY

The net positive exposure to the market with short and hedge positions subtracted from long positions.

## Glossary / Additional Notes

OTHER

The value of any non-equity investments (excluding cash funds) expressed as a percentage of fund TNA.

UNINVESTED CASH

This is 100% minus the fund's Net Equity exposure and minus Other. This leaves any residual cash exposure that is not invested in shares or via derivatives.

### Investment Trust Facts

NAV

The total value of a company's assets less the total value of its liabilities is its net asset value (NAV). For valuation purposes it is common to divide net assets by the number of shares in issue to give the net assets per share. NAV calculations can include or exclude current financial year income. For the purposes of this factsheet, they are valued with assets including income and costs and with debt valued at the market.

DISCOUNT

If the share price of an investment company is lower than the net asset value (NAV) per share, the company is said to be trading at a discount. The discount is shown as a percentage of the NAV.

GEARING

Gearing is a figure representing any additional exposure to investments (borrowing), in excess of shareholders' funds, achieved using bank loans, bank overdrafts or Contracts for Difference (CFDs) to increase its exposure to stocks. The figure expressed is the company's Gross Asset Exposure in excess of its Net Assets.

FAIR VALUE

The fair value of the listed investments is measured at bid prices or last prices quoted, depending on the convention of the exchange on which they are listed. Where permitted, unlisted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been and derivative instruments are valued at the quoted trade price for the contract.

### General notes

TOTAL NET ASSETS (TNA)

The Company's total assets minus its total liabilities - also known as Shareholders' Funds. It represents the amount by which a company is financed through common and preferred shares.

INDEX

The index used in the positioning tables on page 2 is the index defined in the Performance Comparator section on page 1.

TOP NET LONG POSITIONS

Those companies in which the largest percentages of the fund's total net assets are effectively invested. Positions in other funds – including ETFs (Exchange Traded Funds) - can appear in this table, but index derivatives form part of an "Other Index / Unclassified" category which will not appear.

TOP OVERWEIGHT & UNDERWEIGHT POSITIONS

Those positions which have the largest active weight relative to the index. Positions in other funds - including ETFs (Exchange Traded Funds) - can appear in this table, but index derivatives form part of an "Other Index / Unclassified" category which will not appear. In the underweight table, any short position names have been withheld in line with Fidelity's disclosure policy.

NET LONG POSITIONS CONCENTRATION

Illustrates the weight of the top 10, 20 and 50 positions in the fund and the weight of the top 10, 20 and 50 positions in the index. It does not attempt to show the coincidence of security ownership between fund and index. The sector/industry classification used (ie GICS, ICB, TOPIX and IPD) varies by fund. Full descriptions of GICS, ICB, TOPIX and IPD can be found in the glossary.

## Glossary / Additional Notes

ONGOING CHARGES

The ongoing charges figure represents the charges taken from the fund over a year. It is calculated at the fund's financial year end and may vary from year to year. For new funds, the ongoing charges figure is estimated until the fund's financial year end.

The types of charges included in the ongoing charges figure are management fees, administration fees, custodian and depositary fees and transaction charges, shareholder reporting costs, regulatory registration fees, Directors fees (where applicable) and bank charges.

It excludes: performance fees (where applicable); portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment undertaking.
For more information about charges (including details of the fund's financial year end), please consult the charges section in the most recent Annual Report.

SECTOR INDUSTRY CLASSIFICATION

GICS: Global Industry Classification Standard (GICS) was developed by Standard & Poor's and MSCI Barra. GICS consists of 10 sectors, 24 industry groups, 68 industries and 154 sub-industries. More information is available at http://www.standardandpoors.com/indices/gics/en/us

ICB: The Industry Classification Benchmark (ICB) is an industry classification developed by Dow Jones and FTSE. It is used to segregate markets into sectors within the macroeconomy. The ICB uses a system of 10 industries, partitioned into 20 supersectors, which are further divided into 41 sectors, which then contain 114 subsectors. More information is available at http://www.icbenchmark.com/

## Legal Information

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