

FIDELITY CHINA SPECIAL SITUATIONS PLC

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.

FIDELITY CHINA SPECIAL SITUATIONS PLC DETAILS TO 28.02.14

Share price:	105p
NAV:	116.2p
Discount:	9.64%
Gearing:	20.40%
Ordinary shares in issue:	572,979,480
Launch date:	19/04/2010
Portfolio Manager:	Anthony Bolton
Appointed to trust:	19/04/2010
Years at Fidelity:	35

Investment available via ISA and Share Plan

PORTFOLIO MANAGER



As we go into 2014, issues relating to the Chinese market that are concerning investors seem to be the same ones that have worried them for some time; the sustainability of GDP growth, blow ups among wealth management products and trust funds, and rising bad debts in the banking sector. These worries appear to be dominating investor sentiment despite the very positive reform agenda announced following the Third Plenum meetings.

The pickup in growth we witnessed last summer has proved to be temporary, with the most recent data suggesting another slowdown. With the tightening monetary policy, through a reduction in the total social financing and higher short-term interest rates, the forecast GDP growth rate of 7.5% looks challenging. We may be in a period of stop/go policies, where authorities try to control the growth of credit in China until they see it affecting economic growth, at which point they will likely relax the policy until growth appears to stabilise. The problem is that the two objectives, i.e., maintaining growth at 7.5% whilst slowing credit growth, particularly in the non-banking sector, are incompatible. It is interesting that local provincial governments have restated their primary 2014 goal (against which they are measured) as 'wellbeing' rather than the GDP growth targets of the past. Meanwhile, the anti-corruption campaign has proved to be much more sustained and wider in its objectives and if it succeeds in all its aims it will have a major impact on Chinese society.

The good news from the fund's point of view is that whilst this backdrop has impeded the progress of the general market, private sector growth companies, especially in the internet and health care sectors have continued to perform very well. The market has become extremely bifurcated, which is helping the relative performance of our portfolio. The market remains very cheaply valued against its history. However, I believe that since investors concerns are so well known, the market will do better this year as most of the bad news is already priced in.

Updated December 2013

Anthony Bolton, Portfolio Manager

MARKET CAP ALLOCATION AS AT 28.02.14

	% (Total Gross Assets)
Large Cap >£5bn	20.50
Medium Cap - between £1-5bn	25.70
Small Cap - less than £1bn	53.80

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

	Feb-09 Feb-10	Feb-10 Feb-11	Feb-11 Feb-12	Feb-12 Feb-13	Feb-13 Feb-14
Share price	-	-	-18.1%	9.0%	13.7%
NAV	-	-	-14.5%	14.3%	18.3%
MSCI China Index (Net Luxembourg tax)	-	-	0.4%	9.5%	-10.1%

TOP 10 POSITIONS AS AT 28.02.14

	%	Benchmark Weight
TENCENT HOLDINGS LIMITED	5.5	11.4
WING HANG BANK LIMITED	4.0	0.0
CITIC SECURITIES COMPANY LIMITED	3.1	0.3
AIA GROUP	2.8	0.0
21VIANET GROUP	2.5	0.0
ALIBABA GROUP	2.5	0.0
HUTCHINSON CHINA MEDITECH LIMITED	2.4	0.0
SAIC MOTOR CORPORATION LIMITED	2.1	0.0
CHINA LONGYUAN POWER GROUP	2.0	0.4
NETEASE INC	2.0	0.0

Source: FIL Ltd, 28 February 2014. Benchmark is MCSI China Index (Net Luxembourg tax). All data in the above includes any derivative exposures as an economically equivalent position in the underlying asset.

PERFORMANCE RECORD

Cumulative Growth	YTD	1mth	6mths	1 yr	3 yrs	5 yrs	10 yrs	Since 19.04.10
Share Price	-1.1%	1.4%	14.1%	13.7%	1.4	-	-	7.5%
NAV	0.6%	2.4%	15.5%	18.3%	15.6	-	-	20.0%
MSCI China Index (Net Luxembourg tax)	-5.4%	0.6%	-3.4%	-10.1%	-1.3	-	-	-4.6%

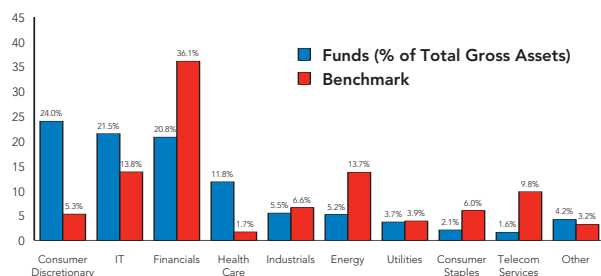
Source of performance: Fidelity/Datastream, cumulative growth, total return as at 28 February 2014, bid-bid with net income reinvested. These figures do not include an initial charge.

Please remember that past performance is not a guide to what may happen in the future. The value of investments can go down as well as up and you may not get back the amount invested. Overseas investments may be subject to currency fluctuations. Investments in small and emerging markets may be more volatile than more established markets. Please remember the eligibility to invest in an ISA depends on individual circumstances and tax rules may be subject to change.



FidelityTM
WORLDWIDE INVESTMENT

INDUSTRY BREAKDOWN AS AT 28.02.14



Benchmark is MSCI China Index (Net Luxembourg tax).

SHARE TYPE BREAKDOWN AS AT 28.02.14

	Total Gross Assets)	Benchmark Weight
'A' & 'B' Share	14.8	0.8
H-Share	5.6	50.0
Red Chips*	4.3	25.3
Other Stocks Listed in HK**	45.6	23.9
China Stocks Listed in US	17.8	0.0
China Stocks Listed elsewhere	9.0	0.0
Cash & Others	2.8	0.0
Total	100	100

Source: FIL Ltd, 28 February 2014. Benchmark is MSCI China Index (Net Luxembourg tax). *As classified in the website of HKEx **Non-H-share and non-red-Chip companies listed in Hong Kong, held by the fund or as part of MSCI China.

GLOSSARY

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.

GROSS ASSET EXPOSURE

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).

GEARING

Gross Asset Exposure in excess of net assets.

PREMIUM

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

TOP 10 POSITIONS

The 10 largest investments are shown as a % of the total market exposure of the investment portfolio, including exposure to investments through derivatives.

CHINA H SHARES

China H Shares are shares in companies incorporated in the People's Republic of China (PRC) which are listed on the Hong Kong Stock Exchange. China H Shares are available to non-Chinese investors and are traded in Hong Kong Dollars on the Hong Kong Stock Exchange.

CHINA A SHARES

China A Shares are traded on the Chinese Stock Exchanges in Renminbi. Foreign investors had historically been unable to participate in the China A Share market. However, following China's introduction of the QFII program in 2002, a legal framework has been provided for licensed QFIIs to invest in China A Shares on the Chinese Stock Exchanges and certain other securities previously not eligible for investment by foreign investors.

CHINA B SHARES

China B Shares are traded on the Shenzhen Stock Exchange and Shanghai Stock Exchange in Hong Kong Dollars and US Dollars, respectively. China B Shares were originally intended to be available only to foreign individual and

institutional investors. However, since February 2001, China B Shares have been available to domestic individual investors who trade through legal foreign currency accounts.

RED CHIPS

Red Chip is the term used to describe companies incorporated outside China but which are based in mainland China. Red Chips are listed on, and are required to observe the filing and reporting requirements of, the Hong Kong Stock Exchange. Red Chips typically have a significant portion of their business interests located in mainland China and many are owned, either directly or indirectly, by organisations or enterprises controlled by the Chinese state, provinces or municipalities.

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.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. This information does not constitute investment advice and should not be used as the basis for any investment decision nor should it be treated as a recommendation for any investment. If you are unsure of the suitability of an investment, please contact a financial adviser.

For more information contact us on 0800 41 41 10,
9am – 6pm Monday to Saturday or go to
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