

# FIDELITY CHINA SPECIAL SITUATIONS PLC

31 OCTOBER 2018

## Investment Objective

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.

## Investment Trust Facts

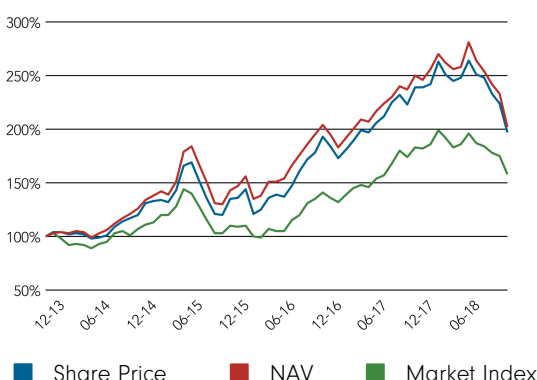
Launch date:	19.04.10
Portfolio manager:	Dale Nicholls
Appointed to trust:	01.04.14
Years at Fidelity:	22
Total Net Assets (TNA):	£ 1,166m
Ordinary shares in Issue:	549,864,480
Share price:	189.00p
NAV:	212.14p
Premium/Discount:	10.91%
Gross Market Gearing:	24.6%
Net Market Gearing:	17.8%

## 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.

## Cumulative performance in GBP (%)



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

## Performance to 31.10.18 in GBP (%)

	1m	3m	YTD	1yr	3yr	5yr	Since 16.04.10*
Share Price Cumulative Growth	-12.1	-20.8	-18.6	-17.8	46.0	96.8	105.2
NAV Cumulative Growth	-13.3	-20.7	-21.3	-19.2	40.6	101.6	130.5
Index Cumulative Growth	-9.6	-13.8	-14.8	-13.5	44.2	58.5	62.7
Share Price Annualised Growth	-	-	-	-17.8	13.4	14.5	8.8
NAV Annualised Growth	-	-	-	-19.2	12.0	15.1	10.3
Index Annualised Growth	-	-	-	-13.5	13.0	9.6	5.9

Basis: bid-bid with 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.

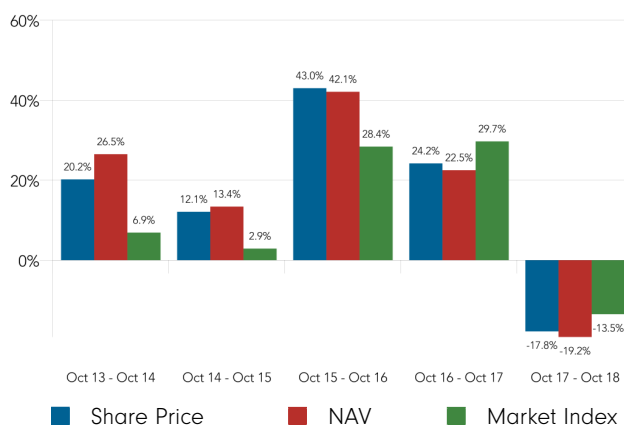
## Portfolio Manager Commentary

The manager believes there are notable investment opportunities in the Chinese stockmarkets. The government is focused on bringing about a structural shift away from a reliance on investment towards consumption. Simultaneously, the natural development of the middle class and notable internet penetration supports the rise in penetration rates across a range of categories along with increasing premiumisation. There is also great variation in trends between different parts of the economy. The Trust remains focused on private companies in 'new economy' areas, but continues to look for opportunities in state owned enterprises (SOEs) as well.

Over the 12 months to 31 October 2018, the Trust's NAV generated -19.2% in returns and underperformed its reference index which delivered -13.5% over the same period. The Trust's share price also recorded a 17.8% decline over the same period and lagged the index.

A lack of exposure to Ping An Insurance, energy giant CNOOC as well as China Construction Bank impacted relative returns. Concerns around tighter regulations for savings policies and lower investment income hurt China Life Insurance, which continues to focus on product mix improvement and growth in protection products. Encouragingly, condiments producer Yihai International benefited from the IPO of its affiliate Haidilao as well as the hotspot restaurant's opening new outlets. Structural demand for internet data centres lifted the attractively-valued holding in 21Vianet Group.

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



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

	Exposure (% TNA)
Gross Market Exposure	124.6
Net Equity	117.8
Other	-10.1
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.

## Sector/Industry Exposure (% TNA)

GICS Sector	Net	Index	Relative
Consumer Discretionary	38.3	20.1	18.3
Communication Services	24.8	26.1	-1.3
Financials	18.5	23.8	-5.3
Information Technology	18.1	2.6	15.5
Industrials	14.2	5.4	8.9
Health Care	8.5	3.4	5.1
Consumer Staples	7.2	2.6	4.6
Energy	2.5	6.0	-3.5
Materials	1.6	2.0	-0.4
Real Estate	0.8	5.2	-4.3
Utilities	0.1	3.0	-2.9
<b>Total Sector Exposure</b>	<b>134.7</b>	<b>100.0</b>	
Other Index / Unclassified	-16.9	0.0	
<b>Total Equity Exposure</b>	<b>117.8</b>	<b>100.0</b>	

## Top Net Long Positions (% TNA)

	GICS Sector
TENCENT HLDGS LTD	Communication Services
ALIBABA GROUP HOLDING LTD	Consumer Discretionary
CHINA PAC INS GROUP CO LTD	Financials
HUTCHISON CHINA MEDITECH LTD	Health Care
CHINA MEIDONG AUTO HOLDING	Consumer Discretionary
CHINA LIFE INSURANCE CO LTD	Financials
21VIANET GROUP INC	Information Technology
CHINA PETROLEUM & CHEM CORP	Energy
CITIC TELECOM INTL HLDGS LTD	Communication Services
NOAH HLDGS LTD	Financials

## Top Overweight Positions (% TNA)

	Net	Index	Relative
CHINA PAC INS GROUP CO LTD	5.6	0.7	4.9
HUTCHISON CHINA MEDITECH LTD	3.9	0.0	3.9
CHINA MEIDONG AUTO HOLDING	2.6	0.0	2.6
21VIANET GROUP INC	2.4	0.0	2.4
CITIC TELECOM INTL HLDGS LTD	2.2	0.0	2.2
NA	2.0	0.0	2.0
NOAH HLDGS LTD	2.1	0.1	2.0
XIAOJU KUAIZHI INC	1.9	0.0	1.9
KINGDEE INTL SFTWRE GRP CO LTD	1.8	0.1	1.7
CHINA TAIPING INSU HLDS CO LTD	2.0	0.4	1.6

## Net Long Positions Concentration (% TNA)

	Fund	Index
Top 10	48.8	51.3
Top 20	66.0	61.4
Top 50	97.1	76.1

## Market Capitalisation Exposure (% TNA)

GBP	Net	Index	Relative
>10bn	26.8	47.7	-20.9
5-10bn	7.0	17.0	-10.0
1-5bn	32.8	12.6	20.2
0-1bn	30.0	0.5	29.5
<b>Total Market Cap Exposure</b>	<b>96.5</b>	<b>77.8</b>	
Other Index / Unclassified	21.2	22.2	
<b>Total Equity Exposure</b>	<b>117.8</b>	<b>100.0</b>	

## Country Exposure (% TNA)

	Net	Index	Relative
China A-Shares	10.9	2.4	8.5
China B-Shares	2.7	0.2	2.5
China H-Shares*	22.2	33.7	-11.5
Red Chips*	8.3	14.5	-6.2
Listed in HK**	41.7	25.8	15.9
Listed in Singapore	0.3	0.0	0.3
Listed in USA	30.9	23.4	7.5
Listed in Taiwan	3.1	0.0	3.1
Listed in Australia	0.4	0.0	0.4
Listed in United Kingdom	4.1	0.0	4.1
Unlisted	5.9	0.0	5.9
Other	-12.7	0.0	-12.7
<b>Grand Total</b>	<b>117.8</b>	<b>100.0</b>	<b>17.8</b>

\*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.

## Top Underweight Positions (% TNA)

	Net	Index	Relative
CHINA CONSTRUCTION BANK	0.0	5.4	-5.4
CHINA MOBILE LTD	0.0	4.0	-4.0
BAIDU INC	0.0	3.7	-3.7
PING AN INS GROUP CO CHINA	0.0	3.6	-3.6
INDUSTRIAL & COML BK CHINA	0.0	3.3	-3.3
BANK OF CHINA LTD	0.0	2.4	-2.4
CNOOC LTD	0.0	2.2	-2.2
Short Position - name withheld	-1.6	0.0	-1.6
CHINA MERCHANTS BANK CO LTD	0.0	1.1	-1.1
PETROCHINA CO LTD	0.0	1.1	-1.1

# FIDELITY CHINA SPECIAL SITUATIONS PLC

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## 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

Financial Year End:	31st March
Reference currency:	UK Sterling (GBP)
Company domicile:	United Kingdom
Company legal structure:	Investment Trust
Capital guarantee:	No
ISIN:	GB00B62Z3C74
SEDOL:	B62Z3C7
Bloomberg:	FCSS LN
Distribution frequency:	Annual
Charges made to income or capital:	25/75
Ongoing Costs (ex- Portfolio transaction costs):	1.22% Estimated
Base and variable element of VMF:	0.90% (net assets) +/- 0.20% (based on performance relative to the Market Index)

Last VMF adjustment (+/- 0.2%) applied at month end:

-0.2%

## 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) and when it is, the portfolio may be described as geared.

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. Exchange Traded Funds (ETFs) and derivatives on ETFs are treated as individual securities - ie not aggregated.

- **Categorisation:** for investments that have underlying securities we use the attributes of the underlying 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 MARKET EXPOSURE

Gross Market Exposure is the total of long exposures, plus the total of short exposures, and less the total of exposures hedging the portfolio, expressed as a percentage of shareholders' funds (Total Net Assets).

#### NET EQUITY

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

**FIDELITY CHINA SPECIAL SITUATIONS PLC****31 OCTOBER 2018****Glossary / Additional Notes****OTHER**

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

**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.

**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 the Market Exposure figure (either gross or net) expressed in excess of Total Net Assets. It represents the additional exposure to the market above Shareholders' Funds.

**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 trust'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 trust 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 trust's financial year end and may vary from year to year. For new trusts, the ongoing charges figure is estimated until the trust'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 11 sectors, 24 industry groups, 68 industries and 157 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/>

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