

# 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 31.07.12

|                           |                |
|---------------------------|----------------|
| Share price:              | 72.60p         |
| NAV:                      | 74.61p         |
| Discount:                 | 2.69%          |
| Gearing Exposure:         | 118.93%        |
| Ordinary shares in issue: | 656,879,480    |
| Launch date:              | 19/04/2010     |
| Portfolio Manager:        | Anthony Bolton |
| Appointed to trust:       | 19/04/2010     |
| Years at Fidelity:        | 33             |

Investment available via ISA and Share Plan

## PORTFOLIO MANAGER



*Chinese equities continue to look attractive to me because they are underowned and valuations are at the lower end of the historical range. Although China's economic growth is moderating, the growth rate remains much higher than in the developed economies, inflation remains low and the government is gradually easing monetary and administrative policies to stimulate growth. I expect Chinese equities to recover from current levels as the economy seems to be stabilising.*

Anthony Bolton, Portfolio Manager

## INVESTMENT HIGHLIGHTS

In June the fund underperformed its comparative index as mid and small cap ideas in the consumer discretionary and information technology space detracted. Security selection in financials and health care also hurt performance. The positions in GOME Electrical Appliances, SouFun Holdings and Kingdee International Software hurt performance. The lack of exposure to China Mobile was the biggest detractor during the month, although this was partially mitigated by the overweight in China Unicom. The holdings in Pax Global and Osstem Implant also enhanced returns. The fund's overall positioning was little changed as the focus continues to be on the consumer and services space, the expected future drivers of China's growth.

## TOP 10 POSITIONS AS AT 31.07.12

|                                            | %   | Benchmark Weight |
|--------------------------------------------|-----|------------------|
| PING AN INSURANCE (GROUP) COMPANY OF CHINA | 6.5 | 2.2              |
| BANK OF CHINA HONG KONG                    | 4.4 | 0.0              |
| TVB                                        | 3.8 | 0.0              |
| CHINA UNICOM (HONG KONG)                   | 3.5 | 1.1              |
| AIA GROUP                                  | 3.3 | 0.0              |
| WING HANG BANK                             | 3.0 | 0.0              |
| CITIC SECURITIES COMPANY                   | 2.9 | 0.2              |
| HSBC HOLDINGS                              | 2.8 | 0.0              |
| REXLOT HOLDINGS                            | 2.7 | 0.0              |
| WUXI PHARMATECH                            | 2.4 | 0.0              |

Source: FIL Ltd, 31 July 2012. 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.

## MARKET CAP ALLOCATION AS AT 31.07.12

|                             |      |
|-----------------------------|------|
| Large Cap >£5bn             | 23.8 |
| Medium Cap - between £1-5bn | 23.9 |
| Small Cap - less than £1bn  | 52.3 |

%  
(Total Gross Assets)

## PERFORMANCE RECORD

| Cumulative Growth                     | YTD   | 1mth  | 6mths | 1 yr   | 3 yrs | 5 yrs | 10 yrs | Since 19.04.10 |
|---------------------------------------|-------|-------|-------|--------|-------|-------|--------|----------------|
| Share Price                           | -0.2% | -2.7% | -9.1% | -22.8% | -     | -     | -      | -26.5%         |
| NAV                                   | -1.5% | -4.0% | -7.3% | -21.0% | -     | -     | -      | -23.7%         |
| MSCI China Index (Net Luxembourg tax) | 4.5%  | 1.5%  | -4.2% | -10.0% | -     | -     | -      | -11.7%         |

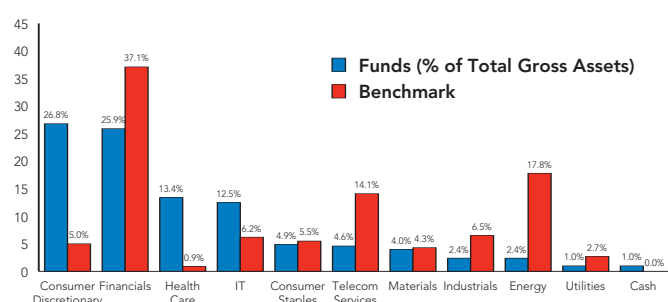
Source of performance: Fidelity/Datastream, cumulative growth, total return as at 31 July 2012, bid-bid with net income reinvested. These figures do not include an initial charge.

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.



**Fidelity**<sup>TM</sup>  
WORLDWIDE INVESTMENT

# INDUSTRY BREAKDOWN AS AT 31.07.12



Benchmark is MSCI China Index (Net Luxembourg tax).

# SHARE TYPE BREAKDOWNS AS AT 31.07.12

|                               | Total Gross Assets | Benchmark Weight |
|-------------------------------|--------------------|------------------|
| A' & 'B' Share                | 15.8               | 1.0              |
| H-Share                       | 4.9                | 47.1             |
| Red Chips*                    | 8.2                | 28.3             |
| Other Stocks Listed in HK**   | 48.2               | 23.6             |
| China Stocks Listed in US     | 15.6               | -                |
| China Stocks Listed elsewhere | 5.2                | -                |
| Others                        | 2.1                | -                |
| Total                         | 100                | 100              |

Source: FIL Ltd, 31 July 2012. Benchmark is MCSI 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 MCSI 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.

## GEARING EXPOSURE

Investment trusts have the ability to borrow additional money to invest, known as gearing. The trust has the ability to use bank loans, bank overdrafts and Contracts for Difference (CFDs) to increase its exposure to stocks. CFDs are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

## 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.

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[www.fidelity.co.uk/chinaspecial](http://www.fidelity.co.uk/chinaspecial)