

# FIDELITY CHINA SPECIAL SITUATIONS PLC

30 JUNE 2020

## 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

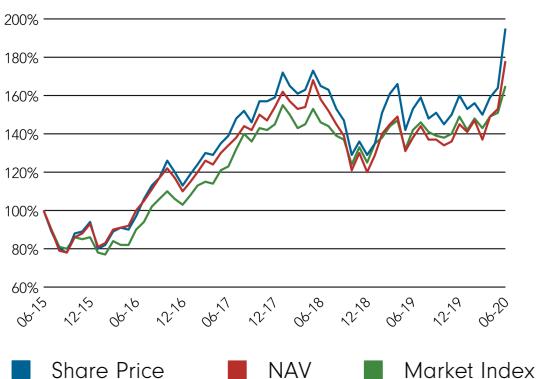
Launch date:	19.04.10
Portfolio manager:	Dale Nicholls
Appointed to trust:	01.04.14
Years at Fidelity:	24
Total Net Assets (TNA):	£ 1,569m
Ordinary shares in Issue:	518,170,619
Share price:	276.50p
NAV:	302.86p
Discount:	8.70%
Gross Market Gearing:	27.3%
Net Market Gearing:	23.6%

## 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 30.06.20 in GBP (%)

	1m	3m	YTD	1yr	3yr	5yr	Since
Share Price Cumulative Growth	19.1	30.1	22.2	27.7	40.2	95.4	210.4
NAV Cumulative Growth	16.3	30.1	22.6	29.0	32.8	77.9	239.2
Index Cumulative Growth	9.0	15.7	11.0	16.5	34.5	64.9	116.8
Share Price Annualised Growth	-	-	-	27.7	11.9	14.3	11.7
NAV Annualised Growth	-	-	-	29.0	9.9	12.2	12.7
Index Annualised Growth	-	-	-	16.5	10.4	10.5	7.9

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

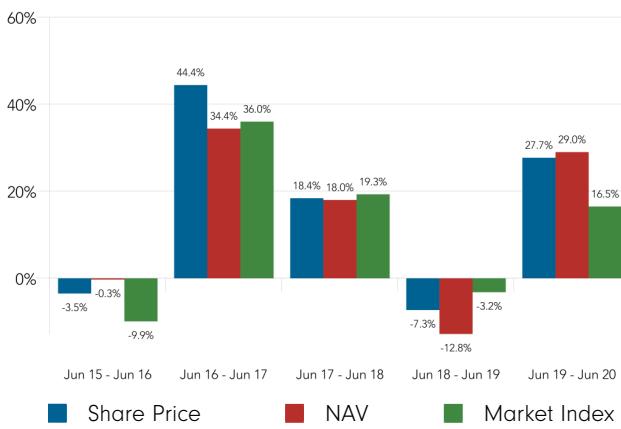
The value of investments can go down as well as up and you may not get back the amount invested. Overseas investments may be more volatile than established markets. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. The investment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

## Portfolio Manager Commentary

The manager believes there are strong investment opportunities in Chinese stock markets. China's recovery is gathering pace after the extensive lockdown seen in the first quarter of 2020. On a policy front China has taken a gradual and measured approach and therefore retains scope for further policy support. While the pandemic is likely to moderate global growth in 2020, China is well positioned to recover given the normalisation of economic activity and strong responses to limit further outbreaks. There are no changes to the longer term trends around structural change which continue to unfold and therefore, even at a milder pace of overall activity, there remains opportunities for growth with the shifts in demand patterns occurring. The impact of the virus is likely to accelerate several of the structural shifts already underway, such as the shift to ecommerce and various online services. A significant weighting in such holdings should see the Trust benefit from such trends.

Over the 12 months to 31st May 2020, the Trust's NAV registered 29.0% in returns, outperforming its reference index which delivered 16.5% over the same period. Meanwhile, the Trust's share price rose 27.7% over the same period. Adding to performance was the Trust's high-conviction holding in China Meidong Auto Holdings. Its focus on lower-tier cities, a strong portfolio of luxury brands, strong revenues from after sales services and an improvement in new car sales margins contributed to its healthy sales and profits. Leading carrier-neutral internet data centre services provider 21Vianet Group also added value, supported by the addition of self-built cabinets, robust demand for its cloud services and expectations for increased demand from fifth-generation (5G) applications. Noah Holdings held back returns amid weaker transaction volumes following the COVID-19 outbreak.

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



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30 JUNE 2020

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

	Exposure (% TNA)
Gross Market Exposure	127.3
Net Equity	123.6
Other	-5.2
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	43.3	31.4	11.9
Communication Services	20.9	22.8	-2.0
Information Technology	17.8	5.1	12.7
Health Care	15.3	5.6	9.7
Financials	14.1	15.7	-1.6
Industrials	7.1	4.8	2.2
Materials	6.1	1.9	4.3
Consumer Staples	4.8	4.0	0.8
Energy	2.3	2.1	0.1
Real Estate	1.7	4.6	-2.9
Utilities	-0.1	2.0	-2.1
<b>Total Sector Exposure</b>	<b>133.2</b>	<b>100.0</b>	
Other Index / Unclassified	-9.6	0.0	
<b>Total Equity Exposure</b>	<b>123.6</b>	<b>100.0</b>	

## Top Net Long Positions (% TNA)

	GICS Sector
TENCENT HLDGS LTD	Communication Services
ALIBABA GROUP HOLDING LTD	Consumer Discretionary
21VIANET GROUP INC	Information Technology
CHINA MEIDONG AUTO HOLDING	Consumer Discretionary
WUXI APPTEC CO LTD	Health Care
CHINA PAC INS GROUP CO LTD	Financials
HUTCHISON CHINA MEDITECH LTD	Health Care
SKSHU PAINT CO LTD	Materials
INNOVENT BIOLGICS INC	Health Care
NOAH HLDGS LTD	Financials

## Top Overweight Positions (% TNA)

	Net	Index	Relative
21VIANET GROUP INC	5.3	0.0	5.3
CHINA MEIDONG AUTO HOLDING	4.8	0.0	4.8
WUXI APPTEC CO LTD	2.9	0.2	2.7
HUTCHISON CHINA MEDITECH LTD	2.6	0.1	2.5
SKSHU PAINT CO LTD	2.5	0.0	2.5
CHINA PAC INS GROUP CO LTD	2.7	0.4	2.3
NOAH HLDGS LTD	2.2	0.0	2.2
INNOVENT BIOLGICS INC	2.4	0.3	2.1
KINGSOFT CORP LTD	2.1	0.2	2.0
PONY AI INC	1.6	0.0	1.6

## Net Long Positions Concentration (% TNA)

	Fund	Index
Top 10	53.8	50.5
Top 20	71.6	59.3
Top 50	102.6	72.1

## Market Capitalisation Exposure (% TNA)

GBP	Net	Index	Relative
>10bn	39.4	71.0	-31.6
5-10bn	11.2	11.4	-0.2
1-5bn	32.7	8.7	24.1
0-1bn	24.7	0.5	24.3
<b>Total Market Cap Exposure</b>	<b>108.1</b>	<b>91.5</b>	
Other Index / Unclassified	15.5	8.5	
<b>Total Equity Exposure</b>	<b>123.6</b>	<b>100.0</b>	

## Country Exposure (% TNA)

	Net	Index	Relative
China A-Shares	13.0	11.5	1.5
China B-Shares	0.4	0.1	0.3
China H-Shares*	20.0	18.7	1.3
Red Chips*	-3.6	7.6	-11.2
Listed in HK**	49.7	31.9	17.8
Listed in Singapore	0.0	0.0	0.0
Listed in USA	34.2	30.1	4.1
Listed in Taiwan	2.2	0.0	2.2
Listed in Australia	0.0	0.0	0.0
Listed in United Kingdom	2.6	0.0	2.6
Unlisted	5.3	0.0	5.3
Other	-0.1	0.0	-0.1
<b>Grand Total</b>	<b>123.6</b>	<b>100.0</b>	<b>23.6</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
ALIBABA GROUP HOLDING LTD	13.6	17.1	-3.5
MEITUAN DIANPING	0.0	3.3	-3.3
CHINA CONSTRUCTION BANK	0.0	3.3	-3.3
JD.COM INC	0.0	2.2	-2.2
CHINA MOBILE LTD	0.0	1.7	-1.7
INDUSTRIAL & COML BK CHINA	0.0	1.7	-1.7
BAIDU INC	0.0	1.4	-1.4
BANK OF CHINA LTD	0.0	1.3	-1.3
TAL ED GROUP	0.0	1.1	-1.1
CHINA MERCHANTS BANK CO LTD	0.0	1.0	-1.0

## 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*
Other Ongoing Costs (including	
AMC/excluding Portfolio transaction costs):	1.25%
Portfolio Transaction Costs:	0.55%
Annual Management Charge:	0.90% (net assets) +/- 0.20% (based on performance relative to the Market Index)
Last VMF adjustment (+/- 0.2%) applied at month end:	-0.01%

\*Variable element of fee all charged to capital

## 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.

**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 investments is initially taken to be their cost and is subsequently measured as follows: Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and

Unlisted investments are investments which are not quoted, or are not frequently traded, are stated at the Directors' best estimate of fair value and take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase.

**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 (i.e. GICS, ICB, TOPIX and IPD) varies by fund. Full descriptions can be found below.

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## Glossary / Additional Notes

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### ONGOING COSTS (KID)

These include Portfolio transaction costs (the costs of us buying and selling underlying investments) and Other ongoing costs (the costs that we take each year for managing the investment).

These are based on the methodology prescribed by EU Regulation (PRIIPS) and differ from other presentations of costs such as the Ongoing Charge Figure (OCF) in the Company's Annual Report & Accounts.

### PORTFOLIO TRANSACTION COSTS

These are costs incurred when trading underlying investments.

### 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.icbbenchmark.com/>

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