Fidelity Worldwide Investment

QUOTEDDATA

Listed funds overview

03/06/2014

Fidelity Worldwide Investment is a global investment management organisation that has substantial expertise in equity and fixed income investments, as well as other assets classes. It has c US$275bn of assets under management and offers an impressive range of funds to both private and institutional investors. Fidelity maintains a global network of fund managers, but has a significant presence in London, Hong Kong, Tokyo, Singapore and Sydney. Managers are supported by an extensive analytical team that also has a global foot print (Fidelity has a network of c 350 investment professionals located in over 13 countries) and Fidelity is renowned for both its bottom up stock picking investment process as well as a focus on long-term performance.

Fundamental investment process

Fidelity's managers, whilst having access to extensive macro-economic analysis and market cycle information, do not have top down macro views imposed upon them. Instead, asset allocation decisions reside with portfolio managers whose incentive schemes are primarily based on the longer-term performance of the funds that they manage. Managers and analysts will typically form opinions taking a three to five-year view. They maintain projections over this time frame and are not encouraged to follow fads or chase trends. The core to Fidelity's approach is that, irrespective of the strategy (growth, value, etc.), each investment opportunity is researched in depth, from the bottom up, with a view to ensuring that every holding is a sustainable longer-term investment. Following this approach, consistently, has been a pillar of Fidelity's success during the last forty years.

Fidelity's analysts are primarily focused on specific sectors and markets and are responsible for conducting fundamental analysis on the companies they follow. Analysts are required to maintain recommendations and also act as the primary conduit for manager's contact with investee companies. Maintaining regular contact and an open dialogue with companies is considered to be an important part of the Fidelity approach. Analysts are also incentivised based on the long term efficacy of their recommendations.

Fidelity closed ended funds - today

Fidelity has considerable expertise in fund management and research dedicated to investing in Asia, Europe, emerging markets, the US, the UK and globally. For the UK investor, an extensive range of OEICs and SICAVs, covering these asset classes, are on offer. However, for those investors that prefer a closed ended structure, Fidelity's investment range is currently limited to five UK registered investment trusts:

1. Fidelity Asian Values Plc
2. Fidelity China Special Situations Plc
3. Fidelity European Values Plc
4. Fidelity Japanese Values Plc
5. Fidelity Special Values Plc

We have included brief research notes on each of these trusts on pages 2 to 5 of this report. Fidelity's current range of closed end funds is presently more limited than those available to its OEIC and SICAV investors. However, a comparison of Fidelity's closed end offerings, with those of its other fund structures, quickly reveals that Fidelity already has much of the resources and expertise, in place, to expand its stable of closed end funds. We thought it might be interesting to have a look at some of the strategies that closed-end fund investors are missing out on currently, and these are detailed on pages 7 to 9 of this report (beginning with 'Fidelity closed ended funds - potential to expand the range').

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Fidelity Asian Values : FAS

QUOTEDDATA

Brief

03/06/2014

Value driven, Asian exposure

Fidelity Asian Values (FAS) invests in a portfolio of South East Asian listed equity securities (including Australia but excluding Japan), with the aim of providing capital growth over the long-term (dividend income being a secondary concern). Managed by John Lo of Fidelity since 2001, FAS has returned 239% and 227% in terms of price and NAV total return (dividends reinvested) over the last ten years. This is ahead of its MSCI AC Far East Ex-Japan benchmark index, which returned 194% during the same. The manager's approach arguably tilts the portfolio towards holdings that are less economically and market sensitive. This has served FAS well, during the last twelve months, but relative performance could suffer if the market starts to move ahead quickly.

Sector	**Asia Pacific - Excluding Japan**
Benchmark	**MSCI AC Far East Ex-Japan**
Base Currency	**Pound Sterling**
Price	**2.20**
NAV	**2.48**
Discount / Premium %	**-11.82**
Ongoing Charges %	**1.24**
Yield %	**0.45**

Portfolio exposed to a mixture of developed and developing countries

FAS maintains a portfolio of c 50-60 securities with a diverse exposure to both developing and mature Asian economies (currently split c 40/60). The portfolio is invested across the full industry spectrum but currently has significant exposures to consumer discretionary companies (c 33%) and information technology (c 20%). Gearing is employed to enhance returns over the long-term (currently 9% net) and is provided through contracts for difference. The manager's investment process looks to identify companies with both robust fundamentals and attractive growth prospects. These will typically be market leaders and have management teams with proven track records across the economic cycle.

Structural growth exposure

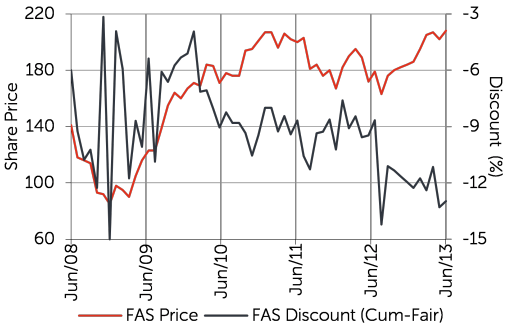
The IMF's World Economic Outlook for April 2014 forecasts that for all of the countries currently represented in FAS's portfolio (both developed and emerging), economic growth between 2014 and 2019, will be ahead of world and advanced economy averages. This makes a compelling case for Asian countries in which FAS is currently invested. In terms of valuations, the MSCI AC Far East Ex-Japan Index is towards the bottom end of its one-year trading range and valuations do not appear stretched when compared to historical averages or global markets. For example, the Index's current P/E of 11.9x, is below its 10-year average of 14.0x and below the current P/E of the MSCI World Index of 18.1x.

Trading in line with longer term discount averages

FAS's current cum fair discount (calculated with NAV's with any debt at market value and including current year revenue income) of 11.8% is modestly above its three year average (10.3%) and in the upper half of its one-year trading range (6.8% to 14.3%). The board has a policy of repurchasing shares when the discount is appreciably above its average, or wide relative to competing funds (peer group average discount is currently 5.4%), with a view to reducing discount volatility.

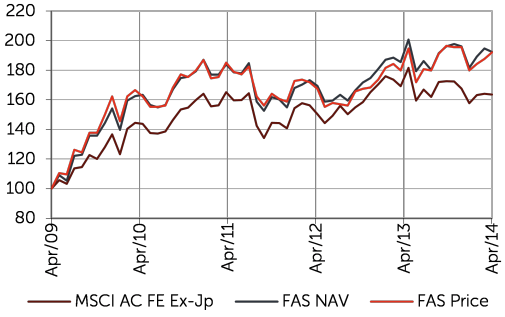
Share price and discount

Time period: 02/06/2009 to 02/06/2014



Performance over five years (tot. ret.)

Time period: 30/04/2009 to 30/04/2014



Source: Bloomberg, Morningstar and Marten & Co.

www.fidelity.co.uk/its

Year Ended	Share Price Total Return (%)	NAV Total Return (%)	MSCI AC Far East Ex-Japan TR. (%)	MSCI World Total Return (%)	MSCI UK Total Return (%)
30/04/10	63.2	61.8	43.5	33.3	30.5
30/04/11	12.9	13.2	13.4	8.9	9.2
30/04/12	(8.1)	(7.5)	(6.0)	(1.3)	(5.6)
30/04/13	8.3	13.1	13.9	22.8	12.1
30/04/14	3.8	0.4	(6.0)	8.0	5.1

Source: Bloomberg, Morningstar and Marten & Co.

Domicile	**United Kingdom**
Inception Date	**13/06/1996**
Manager	**John Lo**
Market Capitalisation (millions)	**148.1**
Shares Outstanding	**67,488,213**
Trading Volume (Daily)	**23,052**
Net Gearing (100 = no gearing)	**110**

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Fidelity China Special Situations: FCSS

QUOTEDDATA

Brief

New manager, value in China

03/06/2014

Fidelity China Special Situations (FCSS) targets long term capital growth through investing in the equity securities of companies exposed to China (primarily companies listed in China and Hong Kong, and Chinese companies that are listed elsewhere). Launched in April 2011, FCSS was managed by Fidelity's Anthony Bolton until April of this year, when new manager Dale Nicholls picked up the reins. Since launch, the trust has modestly outperformed its MSCI China benchmark but, within this, performance has been variable and, reflecting China's underperformance against world markets during this period, overall returns have been meagre (FCSS has returned c 5% in terms of NAV total return and c -9% in terms of price total return whilst the MSCI China index has returned -10%). FCSS endured a sustained period of underperformance between Q3 2010 and Q3 2012. However, the last 18 months has seen FCSS consistently outperform.

Improved fee arrangements

Since 1 April 2014, FCSS has been paying an annual management fee of 1.0% of its NAV (previously 1.2% for the year ended 31 March 2013, and 1.5% for prior years). FCSS's performance fee cap has ben reduced to 1% per annum (previously 1.5%) and the previous arrangement whereby prior year outperformance (above the cap) could be carried forward has also ended. However, performance shortfalls must still be caught up before a performance fee can be paid.

Growth opportunity, value in Chinese equities

China has achieved an exceptional rate of growth, during the last 20 years, overtaking Japan as Asia's largest economy. However, despite this, China still offers significant growth potential in terms of GDP per capita versus more developed economies. Substantial foreign exchange reserves and robust government finances allowed China to shore up its economy so that it weathered the financial crisis well, but massive stimulus saw the economy overheat. This was followed by a clampdown by the authorities and a refocusing of the economy towards domestic consumption. Reflecting this, and other issues such as accounting scandals, China has broadly underperformed world markets during the last four years so that valuations compare favourably against history and world markets. For example, the Current P/E of the MSCI China of 9.0x is below its 10-year average of 14.0x, and below the current MSCI World P/E of 18.0x.

Trading below three-year discount average

FCSS's current discount (calculated with NAVs valuing any debt at market value and including current year revenue income) of 10.9% is above its three year average (4.8%) and in the upper half of its one-year trading range (5.0% to 13.8%). The board has a policy of repurchasing shares with a view to adding value for shareholders. There is no formal target in place but FCSS is active in the market for its own shares.

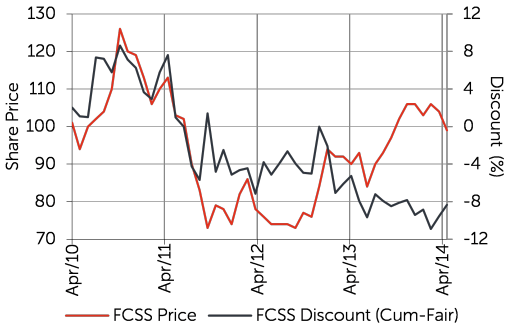
Year Ended	Share Price Total Return (%)	NAV Total Return (%)	MSCI China Total Return (%)	MSCI AC Asia Pac. Ex-Japan TR. (%)	MSCI World Total Return (%)
30/04/11	13.1	7.1	2.3	12.1	9.0
30/04/12	(31.3)	(21.7)	(8.5)	(7.1)	(1.3)
30/04/13	16.9	15.7	9.1	19.0	22.8
30/04/14	12.2	16.7	(8.8)	(6.5)	8.1

Source: Bloomberg, Morningstar and Marten & Co.

Sector	**Country Specialists: Asia-Pacific**
Benchmark	**MSCI China**
Base Currency	**Pound Sterling**
Price	**1.01**
NAV	**1.08**
Discount / Premium %	**-10.87**
Ongoing Charges %	**1.78**
Yield %	**0.89**

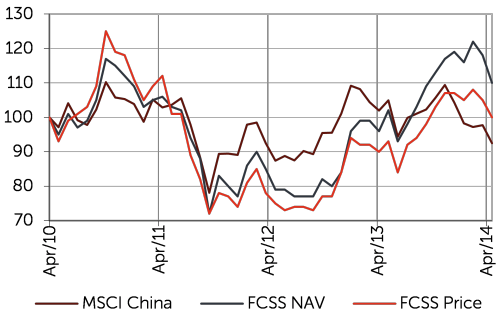
Share price and discount

Time period: 19/04/2010 to 02/06/2014



Performance over five years (tot. ret.)

Time period: 30/04/2009 to 30/04/2014



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Domicile	**United Kingdom**
Inception Date	**19/04/2010**
Manager	**Dale Nicholls**
Market Capitalisation (millions)	**577.1**
Shares Outstanding	**571,354,480**
Trading Volume (Daily)	**765,335**
Net Gearing (100 = no gearing)	**123**

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Fidelity European Values : FEV

QUOTEDDATA

Brief

03/06/2014

Value focused, European exposure

Fidelity European Values (FEV) is a UK listed investment trust that invests in a portfolio of continental European equities (primarily mid- and large-cap). It's objective is to achieve long-term capital growth (dividend income is a secondary concern) and it has been managed by Sam Morse since January 2011. During this time, FEV has returned 66% and 56% in terms of price and NAV (with dividends reinvested), which is modestly ahead of its FTSE World Europe Ex-UK benchmark index (51%). Over this time there have been periods of sustained out- and underperformance. 2013 was a more difficult period for the trust; the traditional focus on cash generative businesses, with strong balance sheets, did not broadly perform as well as strategies focused on more cyclical stocks (these rose as the global economic outlook improved). However, FEV has seen an improvement in its performance during 2014.

Sub-division of ordinary shares (10 for 1) on 30 May 2014

On 15 May 2014, Shareholders approved a resolution to split each FEV 25p share into ten 2.5p shares. The primary objective is to improve the appeal of FEV shares to smaller investors generally and to make it easier to invest through regular monthly savings plans.

Market neutral approach, Europe modestly expensive

Sam Morse buys stocks based on a value-oriented investment approach taking a three- to five-year view. He constructs a portfolio that is broadly balanced with respect to the benchmark so that FEV's portfolio sector allocations are unlikely to be more than ±5% of those of the benchmark. Sam then looks to add value through stock selection. His focus is on identifying companies with a strong ability to grow dividends over the next three to five years, whilst maintaining a strong keen on downside protection.

Looking at European equity market valuations, the MSCI Europe Ex-UK Index's current P/E of 20.6x, is above its 10-year average of 17.0x and above the current P/E of the MSCI World Index of 18.1x. This suggests that Europe is more fully valued than it has been both historically and when compared to global markets.

Trading in line with longer term discount averages

FEV's current discount (calculated with NAV's with any debt at market value and including current year revenue income) of 9.1% is modestly below its three year average (12.0%) and in the middle of its one-year trading range (7.6% to 12.8%). The board has a policy of repurchasing shares to reduce discount volatility, although there is no formal target in place.

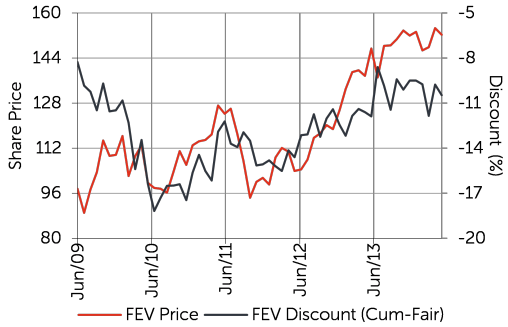
Year Ended	Share Price Total Return (%)	NAV Total Return (%)	FTSE World Euro Ex-UK TR. (%)	MSCI Europe TR (%)	MSCI World Total Return (%)
30/04/10	10.1	16.2	18.5	18.1	30.4
30/04/11	27.7	21.8	21.0	20.6	10.6
30/04/12	(17.2)	(16.2)	(23.3)	(22.5)	(6.0)
30/04/13	49.7	44.4	42.6	42.4	35.1
30/04/14	4.0	2.8	10.1	11.2	3.6

Source: Bloomberg, Morningstar and Marten & Co.

Sector	**Europe**
Benchmark	**FTSE World Europe Ex-UK**
Base Currency	**Pound Sterling**
Price	**1.58**
NAV	**1.74**
Discount / Premium %	**-9.14**
Ongoing Charges %	**0.98**
Yield %	**1.74**

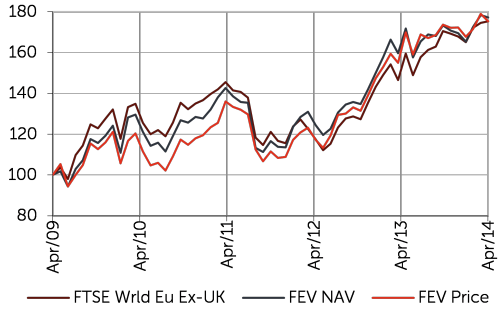
Share price and discount

Time period: 02/06/2009 to 02/06/2014



Performance over five years (tot. ret.)

Time period: 30/04/2009 to 30/04/2014



Source: Bloomberg, Morningstar and Marten & Co.

www.fidelity.co.uk/its

Domicile	**United Kingdom**
Inception Date	**01/11/1991**
Manager	**Sam Morse**
Market Capitalisation (millions)	**661.2**
Shares Outstanding	**417,921,730**
Trading Volume (Daily)	**340,228**
Net Gearing (100 = no gearing)	**107**

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Fidelity Japanese Values : FJV

QUOTEDDATA

Brief

Small and mid-cap Japan

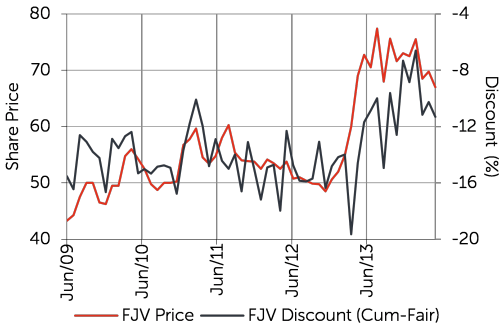
03/06/2014

Fidelity Japanese Values (FJV) is a UK listed investment trust that invests in a portfolio of listed Japanese equities. Holdings are primarily small- and mid-cap and FJV's objective is to achieve capital growth over the long-term (dividend income is a secondary consideration). FJV's portfolio has been managed by Shinji Higaki (based in Tokyo) since July 2007 using Fidelity's bottom up, value driven investment approach. Since this time, FJV's share price and NAV have both underperformed the MSCI Japan by c6% cumulatively. However, this largely reflects difficult performance in the 15 months running up to the financial crisis. In the post crisis period, the trend has been one of persistent outperformance against the MSCI Japan. During the last five years FJV has returrned 61% and 54% in terms of share price total return and NAV total return respectively. This compares well against the MSCI Japan which has returned 29%.

Sector	**Japanese Smaller Companies**
Benchmark	**Russell/Nomura Small-Mid Cap**
Base Currency	**Pound Sterling**
Price	**0.69**
NAV	**0.79**
Discount / Premium %	**-13.14**
Ongoing Charges %	**2.00**
Yield %	**0.00**

Share price and discount

Time period: 02/06/2009 to 02/06/2014



Broad sector exposure within Japan

FJV maintains a portfolio of c 90 equity and long CFD positions combined (long CFD positions are used to provide gearing). FJV's portfolio is invested across the full industry spectrum but industrials dominate the portfolio and, within this currently, the largest exposures are to services (c 16%) and electrical machinery (c 15%). The manager is supported by a team of 25 analysts and looks to identify companies with multi-year growth potential.

Japanese equities less expensive in 2014

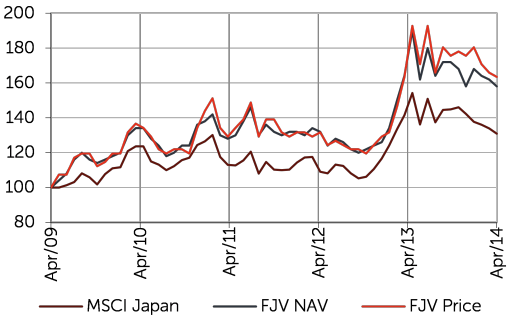
Japan's economy has suffered from a 20-year period of deflation, following the burst of its property bubble in the early 1990's. Its strong currency and an ageing and shrinking population has exacerbated these woes. Governments have consistently failed to re-ignite the economy but the election, in December 2012, of Shinzo Abe marked a turning point. His policies of targeting 2% inflation, weakening the Yen and increasing public investment have had a positive impact and the stock market performed strongly during 2013. However, this has been reversing this year with an impact on equity valuations. The MSCI Japan's current P/E of 13.5X is below its 10-year average of 20.3x, and below that of the MSCI World (currently 18.0x). The portfolio is overweight internet and consumer services companies from which the manager is expecting strong growth for a number of years.

Trading below three-year discount average

Arguably reflecting shifting sentiment in the outlook for Japan and its equity market, FJV's current cum fair discount (calculated with NAV's with any debt at market value and including current year revenue income) has moved within a relatively wide band during the last 12 months (2.7% to 17.9%) but the trend has been one of tightening. FJV's current discount of 13.1% compares against it's one and three year averages of 10.3% and 13.1% respectively. The board has a policy of repurchasing shares, at a discount to NAV, to enhance shareholder value but this authority is used sparingly.

Performance over five years (tot. ret.)

Time period: 30/04/2009 to 30/04/2014



Source: Bloomberg, Morningstar and Marten & Co.

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Year Ended	Share Price Total Return (%)	NAV Total Return (%)	MSCI Japan Total Return (%)	Rus Nom Sm/ Mid. Cap Ret (%)	MSCI World Total Return (%)
30/04/10	34.1	34.0	22.0	26.1	33.3
30/04/11	(1.8)	(3.0)	(6.6)	(6.5)	8.9
30/04/12	0.0	3.1	(1.2)	2.3	(1.3)
30/04/13	37.0	28.4	28.7	25.1	22.8
30/04/14	(10.8)	(10.5)	(10.9)	(8.5)	8.0

Source: Bloomberg, Morningstar and Marten & Co.

Domicile	**United Kingdom**
Inception Date	**15/03/1994**
Manager	**Shinji Higaki**
Market Capitalisation (millions)	**78.7**
Shares Outstanding	**113,954,834**
Trading Volume (Daily)	**51,745**
Net Gearing (100 = no gearing)	**118**

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Fidelity Special Values : FSV

QUOTEDDATA

Brief

The 'Wright' stuff

03/06/2014

Fidelity Special Values (FSV) is a UK listed investment trust that aims to achieve long term capital growth by investing in special situations. The portfolio is primarily focused on UK-listed equities with an inherent bias towards small and mid-cap companies. FSV has been managed by Alexander Wright since September 2012. Alexander is a value investor and his appointment has coincided with a substantial improvement in FSV's relative performance against its FTSE All-Share benchmark. Since September 2012, FSV has returned 79% and 62% for share price and NAV total return respectively, versus the FTSE All-Share which has returned 28%.

Sector	**UK All Companies**
Benchmark	**FTSE All-Share**
Base Currency	**Pound Sterling**
Price	**9.23**
NAV	**9.79**
Discount / Premium %	**-5.57**
Ongoing Charges %	**1.24**
Yield %	**1.69**

Broad sectoral exposure, substantial gearing

FSV invests across the full range of FTSE All-Share sectors. Its portfolio is constructed based on bottom up fundamental research and the allocations largely reflect the outcome of that process. At present the portfolio's largest allocations are to financials (c 32%), consumer services (c 22%) and industrials (c 20%). FSV maintains a relatively high level of gearing (c 27% net as at the end of February - provided through long CFD's) with a view to enhancing returns over the long-term.

Market and economically insensitive, UK modestly expensive

By its very nature, returns from special situations investing can be relatively insensitive to both market movements and developments in the macroeconomy when compared to returns from many other equity asset classes. However, where markets are generally overvalued, compelling opportunities are likely to be harder to find. Looking at UK equity market valuations, the current P/E of the FTSE All-Share (21.8x) is above its 5-year average (15.9x - excluding the impact of the financial crisis) and is towards the top of its one-year trading range (16.5x to 22.0x). The FTSE 250 (FSV's usual hunting ground) has a current p/e of 18.4x. This is also above its 5-year average (17.6x) but is close to its one-year low(one-year range 18.1x to 25.0x). The manager believes there are currently attractive opportunities across the spectra of company size and industry. He sees attractive valuations in a number of defensive mid-caps as well as certain stocks with high exposure to a UK consumer recovery.

Trading below three-year discount average

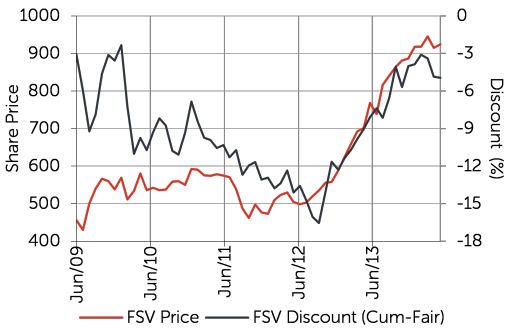
The trend, since Alexander Wright became manager, has been one of a general narrowing of the discount, arguably reflecting FSV's improved performance. FSV's current discount (calculated using NAVs with debt at market value and including current year revenue income) of 5.6% is below its three-year average (10.1%) and in the middle of its one-year trading range (1.8% to 10.2%). FSV has authority to repurchase shares, which has been used historically to narrow the discount but, reflecting recent discount levels, no repurchases have been made during the last twelve months. However, it seems reasonable that, if strong performance is maintained this could drive a further narrowing of the discount.

Year Ended	Share Price Total Return (%)	NAV Total Return (%)	FTSE All-Share Total Return (%)	MSCI World Total Return (%)	MSCI UK Total Return (%)
30/04/10	25.2	37.0	37.1	33.3	36.1
30/04/11	4.5	4.0	14.1	9.0	13.2
30/04/12	(8.8)	(5.6)	(1.6)	(1.3)	(1.3)
30/04/13	42.4	33.9	18.3	22.8	17.0
30/04/14	29.2	25.0	10.9	8.1	9.4

Source: Bloomberg, Morningstar and Marten & Co.

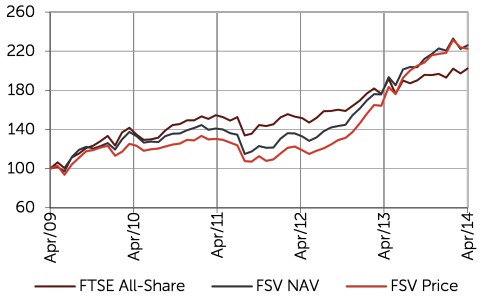
Share price and discount

Time period: 02/06/2009 to 02/06/2014



Performance over five years (tot. ret.)

Time period: 30/04/2009 to 30/04/2014



Source: Bloomberg, Morningstar and Marten & Co.

www.fidelity.co.uk/its

Domicile	**United Kingdom**
Inception Date	**17/11/1994**
Manager	**Alexander Wright**
Market Capitalisation (millions)	**499.6**
Shares Outstanding	**54,128,896**
Trading Volume (Daily)	**36,303**
Net Gearing (100 = no gearing)	**131**

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Fidelity closed ended funds - potential to expand the range

Fidelity's current range of closed end funds is presently more limited than those available to its OEIC and SICAV investors. However, Fidelity has much of the resources and expertise required to expand its stable of closed end funds already in place. We discuss some of the more obvious vacancies below and our view as to how Fidelity could possibly fill some of these gaps in the future.

Global equity products

All of Fidelity's current CEFs are focused on specific geographies. None takes a purely global perspective. Global strategies have proven to be particularly popular, in the post crisis period, as many geographies have suffered from their own specific challenges at differing times. This has been notably true for the income investor. Many income funds have traditionally focused on the UK equity market, which has historically had a strong focus on paying and growing dividends, as well as a noted reluctance by companies to cut their dividends. Whilst the UK remains a key market for the income investor, other markets are becoming increasingly shareholder friendly. At the same time, the UK is expected to exhibit lower growth than many other economies that do not need to go through such an extensive deleveraging process.

Global income

Looking at Fidelity's global income products, the global dividend fund (managed by Daniel Roberts since its launch in January 2012) stands out as a successful strategy. We believe that a similar strategy could be readily applied within a CEF structure that would be suitable for CEF investors looking for a global income exposure. The fund, which aims to provide both income and long term capital growth, has outperformed its MSCI AC World benchmark, on a total return basis, during the last two years; since launch the fund has provided an annualised total return of 14.8%, versus its benchmark which has returned 11.6%.

Global special situations

Fidelity Special Values Plc (FSV) offers investors a special situations strategy albeit one that is focused on the UK. Alexander Wright took over management of FSV in September 2012 and, following an appreciable improvement in performance, the trust is proving to be popular with investor's (it has recently been trading close to par). However, Fidelity also has a global special situations strategy, in the form of its Global Special Situations Fund, which we believe could be popular with investor's if offered in a CEF structure. Jeremy Podger took over this fund in March 2012 and there has also been a marked improvement in performance with the fund beating its benchmark in each of the two years to 30 April 2014.

European equity products

Fidelity currently offers the CEF investor the opportunity to gain exposure to Europe through the Fidelity European Values investment trust (managed by Sam Morse). However, Fidelity has a substantial pan-European team and other strategies, including specific country funds, are available to the non-CEF investor. Whilst the appetite for CEF's focused on specific European countries may currently be limited, we believe that additional pan-European strategies would be a welcome addition to the Fidelity CEF range. In the current slower growth environment, smaller company strategies have recently proven popular.

European smaller companies

The European smaller company sector has c 4,000 securities, many of which are under researched, creating the opportunity for superior performance from conducting fundamental research. This plays to the strengths both of Fidelity's investment process, as well as that of the CEF structure, which allows manager's to hold less liquid positions whilst taking a longer term view. Respected Fidelity fund manager, Colin Stone, has managed European Small cap funds for Fidelity for c 20 years. His European Smaller Companies Fund (managed by Colin since its launch in 1995) has returned 11.1% pa since launch versus 10.7% for its Euromoney Smaller European Companies Index since launch. We believe that a closed end fund, based on this strategy, could prove popular with investors and would be a welcome addition to the Fidelity stable.

Asian equity products

Fidelity Asian Values Plc offers the CEF investor the opportunity to gain a broad exposure to Asia-Pacific Ex-Japan equities, utilising Fidelity's in house resource in the region, via a value orientated strategy. Fidelity Japanese Values completes this jigsaw by providing a similar value orientated exposure but to Japan. Alongside sits Fidelity China Special Situations. This trust has experienced difficulties in the past although has recently seen a return to outperformance.

Investors have long been attracted to the growth story of developing Asia. A broad consensus is that Asian companies are becoming increasingly shareholder friendly, with greater emphasis on creating shareholder value and paying dividends, which has created opportunities for investors seek both income and capital growth. In comparison, Japan is a mature economy and so does not offer the potential for growth through catch up in GDP per capita, when compared to many if its Asian peers. However, following a 20-year period of deflation and stagnation, the economy appears to be getting a new impetus with the policies of Prime Minister Shinzo Abe (dubbed Abenomics). This potentially makes Japan a more interesting place to invest. This maybe particularly true of the smaller companies sector, which has less research coverage and thus a greater opportunity to find mispriced securities by conducting superior research.

Emerging Asia

Looking at the gaps in Fidelity's closed ended Asian offerings, we would suggest that there is room for funds focused on emerging Asia, Asian smaller companies and possibly an Asian income fund. Dhananjay Phadnjis has managed the merging Asia fund since November 2013 so, in terms of performance, it is a little early to tell, particularly given the currently small size of the fund (c £9m). However, the strategy has outperformed its benchmark during the last two years and, should this outperformance continue, this strategy could be appealing to CEF investors, particularly if the strategy's effectiveness can be proven with a greater volume of assets.

Asian smaller companies

In the nearer term, a CEF focused on Asian smaller companies is arguably a more marketable proposition. Nitin Bajaj's Asian Smaller Companies Fund (c £44m AUM) has outperformed its MSCI AC Asia Ex-Japan Index (with Australia capped at 10%) during each of the last two years to 30 April 2014. Launched in December 2011, the fund is relatively young but, since launch, it has provided a return of 20.3% annualised versus the benchmark which has returned 7.3%.

China Consumer Fund

In the longer term, Raymond Ma's China Consumer Fund could prove to be a desirable strategy for CEF investors. At present, it has AUM of c£14m and so the scalability of the strategy is unproven but, partly reflecting a strong performance in the Chinese Consumer sector, the last two years have seen the fund outperform the MSCI China strongly. This strategy could continue to do well with the growth in China's middle classes and with the government's efforts to refocus the economy on domestic consumption.

Emerging market equity products

Investors looking for emerging market exposure can gain some exposure to Asia through Fidelity Asian Values as well as Fidelity China Special Situations, although neither offers a broad emerging markets exposure. Other emerging markets exposures are available from Fidelity in non-CEF form. Of these, the Fidelity Emerging Markets Fund and Fidelity's Emerging Europe, Middle East and Africa Fund stand out for their recent performance.

Global emerging markets

Fidelity's Emerging Markets Fund invests in Africa, the Indian sub-continent, Latin America, South East Asia and the Middle East, with the intention of providing capital growth over the longer term. It has been managed by Nick Price since March 2010 and in each of the last three years to 30 April 2014, the fund has beaten the MSCI Emerging Markets Index. Volatility in the sector has an impact on absolute returns but, since Nick has taken over management, the fund has returned an annualised 3.8% versus the benchmark, which has returned 1.2%.

Emerging Europe, Middle East and Africa

Potentially a more niche offering, Fidelity's EMEA Fund (also managed by Nick Price) has outperformed the MSCI Emerging EMEA Index during four of the last five years to 30 April 2014 (and for the last three years consecutively). Nick has managed the fund since launch (January 2011) returning 4.9% versus the benchmarks 2.3%. A CEF structure could potentially provide a greater opportunity to outperform by allowing the manager to take positions in less liquid stocks, on a longer term view, without the concern of needing to provide short term liquidity.

Conclusion

In conclusion, our belief is that Fidelity is well positioned to expand to expand its offering to CEF investors given both the strength of Fidelity's reputation and the success it is already experiencing, in house, with a number of strategies we believe will be appealing to the CEF audience. A summary of the more obvious strategies is provided in Exhibit 1.

Exhibit 1: Strategy solutions

Manager	Strategy	Benchmark
Daniel Roberts	Global Equity Income	MSCI AC World
Jeremy Podger	Global Special Situations	MSCI AC World
Colin Stone	European Smaller Co's	Euromoney Smaller European Companies
Dhananjay Phadnis	Emerging Asia	1/3 MSCI China, 1/3 MSCI India & Pakistan, 1/3 MSCI Malaysia, Indonesia, Thailand & Philippines
Nitin Bajaj	Asian Smaller Co's	MSCI AC Asia-Pacific Ex-Japan Small Cap (Australia capped at 10%)
Raymond Ma	China Consumer	MSCI China

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