

Fidelity Closed-End Funds

This is a regular publication looking at Fidelity and recent developments in three of its investment trusts – Fidelity Asian Values, Fidelity Japanese Values and Fidelity Special Values.

In this issue:

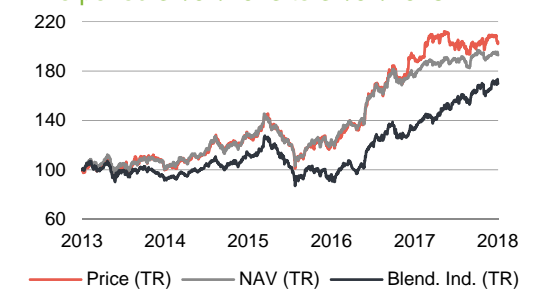
- Fidelity Asian Values (FAS) posted decent positive returns during 2017 but has continued to lag its peer group and benchmark, which have benefited from their exposures to large caps and technology (two areas which FAS does not typically focus on). The manager, Nitin Bajaj, is not unduly concerned by this development. He expects that, over the long term, he will be able to provide strong positive returns that are not dependent on being exposed to fashionable market segments.
- Fidelity Japanese Values provided strong positive returns during 2017. It benefited from both a rising Japanese equity market and a shift in investors' focus back towards growth stocks, although stock selection was the major driver of performance. Corporate profits and margins are at record highs, but the trust's manager, Nicholas Price, sees room for further improvement driven by a stronger local economy and a favourable global outlook.
- With the UK market having had a strong run during 2017, Fidelity Special Values' manager, Alex Wright, who himself sounded a note of caution in QuotedData's July 2017 review, is increasingly being asked whether there is real value left in the market. Alex answers a resounding 'yes', but acknowledges that value investors need to be selective. He believes that there are many stocks that are deeply out of favour and this generates opportunities. By way of example, FSV's portfolio has 14 stocks trading below book value. Page 17 has some detail on these.

Special feature: Fidelity Japanese Values

This special feature includes a recap of Nicholas Price's investment approach and an update on his market outlook.

Fidelity Asian Values perf.

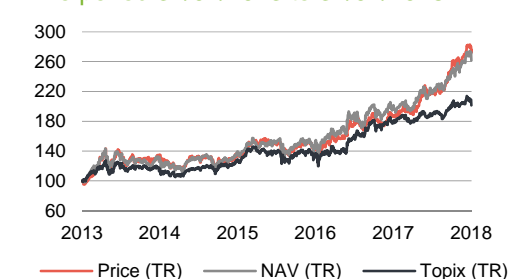
Time period 31/01/2013 to 31/01/2018



Source: Bloomberg, Morningstar, Marten & Co.

Fidelity Japanese Values perf.

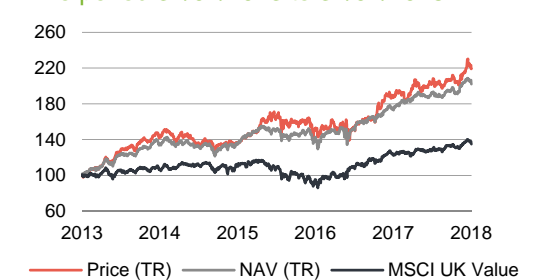
Time period 31/01/2013 to 31/01/2018



Source: Bloomberg, Morningstar, Marten & Co.

Fidelity Special Values perf.

Time period 31/01/2013 to 31/01/2018



Source: Bloomberg, Morningstar, Marten & Co.

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Recent developments at Fidelity

Fidelity International has been running investment trusts for more than 26 years and it manages over £3.3bn in assets across its five trusts covering the UK, Europe and Asia. Fidelity celebrated being 'highly commended' in the 2017 Money Observer Investment Trust Premier Group Awards after winning the award in both 2015 & 2016. Fidelity is committed to investment trusts over the long term and is actively looking at other opportunities, mandates and regions. Fidelity is also committed to having the right managers in place who can continue its success. With both Nitin Bajaj of Fidelity Asian Values Plc and Nicholas Price of Fidelity Japanese Values Plc due to celebrate their three-year anniversaries later this year the future looks promising for investment trusts at Fidelity.

Fidelity International

Fidelity International has US\$323.7bn of assets under management. It has a significant presence in London, Hong Kong, Tokyo, Singapore and Sydney.

Fidelity International is a global investment manager that has substantial expertise in equity and fixed income investments, as well as other asset classes. It had US\$323.7bn (£239.3bn) of assets under management as at 31 December 2017 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 footprint (Fidelity has a network of around 390 investment professionals located in 12 countries) and Fidelity is renowned for both its bottom-up stock-picking investment process and its focus on long-term performance.

Fundamental investment process

Portfolio managers are incentivised based on their long-term performance.

Fidelity's managers, while having access to extensive macroeconomic analysis and market-cycle information, do not have 'top-down' economic and political 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. 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 40 years.

Previous publications

Additional information is available at the fund manager's website, <https://www.fidelityinvestmenttrusts.com>

Readers interested in further information about Fidelity Asian Values, Fidelity Japanese Values and Fidelity Special Values may wish to read previous reviews of Fidelity's closed-end funds range, as detailed in Figure 1. You can read the notes by clicking on them in Figure 1 or by visiting the QuotedData website.

Figure 1: Marten & Co. previously published research on Fidelity's investment trusts

Date	Company profiles	Special feature
15 October 2015	FAS, FJV, FSV	FAS
20 May 2016	FAS, FJV, FSV	FJV
2 February 2017	FAS, FJV, FSV	FSV
27 July 2017	FAS, FJV, FSV	FAS

Source: Marten & Co.

Fidelity Asian Values

Fishing in the unfashionable

Fidelity Asian Values (FAS) is a fund that dares to be different. During the last year, FAS has posted decent absolute returns but has lagged behind its peer group and benchmark, which have benefited from their exposures to large caps and technology (two areas where FAS is structurally underweight). The manager is not unduly concerned by this development. He expects that, over the long term, he will be able to provide strong absolute returns that are not dependent on being exposed to 'fashionable' market segments.

Long-term growth from small-cap Asia ex Japan

FAS aims to achieve long-term capital growth by investing in a portfolio of companies that are listed on the stock markets of the Asia ex Japan region. Nitin Bajaj, the portfolio manager, takes a value-orientated stock-picking approach, based on research that is coupled with an absolute return mindset. The portfolio is overwhelmingly focused on smaller-cap companies: this is where he sees the greatest opportunity to find valuation anomalies, given that this section of the market is less well-researched. Nitin seeks to identify investments that he believes can return 50% over a three-to- five-year period, while looking to avoid sharp capital losses. In addition to valuation, the research process places considerable emphasis on a company's financial strength; ability to generate cash flows; competitive advantages; business prospects; and earnings potential.

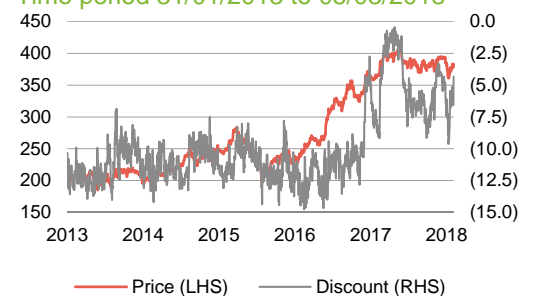
Year ended	Share price total return (%)	NAV total return (%)	Peer group avg. NAV TR. (%)	Blended b'mark Index TR. (%)*	MSCI World TR. (%)
31/01/14	1.0	2.5	(7.4)	(6.6)	12.0
31/01/15	25.3	24.5	23.5	20.2	17.1
31/01/16	(2.9)	(2.4)	(12.1)	(14.3)	0.5
31/01/17	54.3	41.5	36.4	38.3	32.0
31/01/18	7.4	9.6	21.7	27.6	11.3

Source: Bloomberg, Morningstar, Marten & Co.

Sector	Asia Pacific Ex Jap
Ticker	FAS LN
Base currency	GBP
Price	383.00p
NAV	400.39p
Premium/(discount)	(4.3%)
Yield	1.3%

Share price and discount

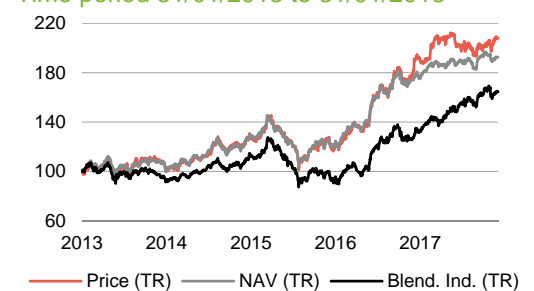
Time period 31/01/2013 to 05/03/2018



Source: Morningstar, Marten & Co

Performance over five years

Time period 31/01/2013 to 31/01/2018



Source: Morningstar, Marten & Co

Domicile	United Kingdom
Inception date	13 June 1996
Manager	Nitin Bajaj
Market cap.	263.0m
Shares outstanding	68.7m
Daily vol. (1 yr avg.)	168.8k shares
Net cash	9.1%

Asset allocation

In QuotedData's last Fidelity Funds Review, the increase in the cash weighting in the portfolio was highlighted. This reflected an increasingly cautious stance by Nitin as markets rose and stocks hit price targets. As illustrated in Figure 2, while FAS' cash balance has reduced a little, it remains significant, which arguably is a reflection of the continued strong performance by Asian markets. The portfolio also remains ungeared (does not use borrowings). Nitin says that he continues to wait for opportunities. Should markets experience a sufficient correction he would not only reduce the cash balance but would be comfortable to take gearing up to the maximum level permitted by the board (net gearing of 15%).

Although the manager comments that asset allocation is a result of stock selection, looking at the portfolio from an aggregate perspective, it can be seen that the underweight exposure to China has reduced. This has largely been driven by strong performance in this space, driven by strong flows from domestic investors. The allocation to India has also reduced and is now close to an all-time low and tilted towards large-cap names. This market has performed very strongly, driven by the success of the country's reformist government, despite falling near-term earnings. Valuations have risen strongly as a result, with the small and mid-caps seeing the greatest gains, which has led Nitin to reduce exposure to this market.

Figure 2: Country allocations, as at 31 December 2017

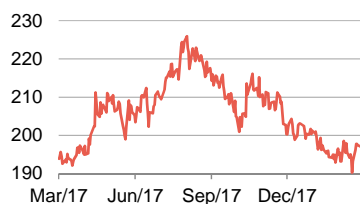
	Portfolio weight (%)	Index weight (%)	Percentage point difference	Portfolio weight 30 June 17 (%)	Percentage point change
China	15.0	34.2	(19.2)	8.7	6.3
India	14.4	10.1	4.3	16.5	(2.1)
Taiwan	14.0	13.0	1.0	13.1	0.9
South Korea	11.5	17.7	(6.2)	10.7	0.8
Australia	7.9	0.0	7.9	7.7	0.2
Indonesia	6.2	2.6	3.6	5.7	0.5
Philippines	5.6	1.3	4.3	5.9	(0.3)
Singapore	5.5	4.5	1.0	6.1	(0.6)
Hong Kong	4.1	11.1	(7.0)	5.9	(1.8)
USA	2.4	0.0	2.4	0.9	1.5
Other	4.2	5.4	(1.2)	0.8	3.4
Net cash	9.1	0.0	9.1	10.8	(1.7)
Total	100.0	100.0	0.0	100.0	0.0

Source: Fidelity Asian Values (monthly factsheets)

Figure 4 shows how the portfolio's sectoral breakdown has changed during the second half of 2017. The big moves have been reductions in the consumer discretionary and consumer staples exposures, on the back of strong performances from those sectors. The significant technology underweight, noted on page 5, is also illustrated in Figure 4 as is the comparable underweight exposure to financials.

There were a number of changes to the list of the 10 largest holdings during the second half of 2017. Infosys (Indian IT outsourcing business) and G8 Education (Australian child daycare) no longer feature in the top 10. Infosys had a strong run of performance during the last quarter of 2017 and has been reduced, reflecting the manager's view that valuations looks stretched in that space. G8 Education, a business that the manager describes as recession proof, has been left behind by the strong performance

Figure 3: Power Grid Corporation of India price



Source: Bloomberg

of other segments. Although not visible in the top 10, the manager is happy to retain the holding and sees strong growth potential.

Cognizant Technology Solutions (IT outsourcing) and Gudang Garam (Indonesian cigarette manufacturer) are new entrants to the top 10 holdings. Gudang Garam suffered between July and October, left behind by strong performing sectors, which allowed Nitin to build the position at what he says was an attractive price. The company rallied strongly at the end of 2017. The holding in Cognizant was increased during the year. The stock rallied in early 2018.

Other portfolio changes include a reduction in FAS' position in Tisco Financial (auto finance in Thailand) following a very strong performance. Power Grid Corp of India, previously featuring as FAS' largest holding, was a position that Nitin had been reducing on valuation grounds (it performed strongly during the first half of 2017) but took the opportunity to rebuild the position as the company suffered during the second half of the year. Nitin likes the company; he says that it has a near monopoly in power transmission in India and that there is no pressure for a review of its regulation in the near term.

Figure 4: Sectoral allocations, as at 31 December 2017

	Portfolio weight (%)	Index weight (%)	Percentage point difference	Portfolio weight 30 June 17 (%)	Percentage point change
Information technology	17.0	31.7	(14.7)	15.5	1.5
Consumer discretionary	15.8	9.3	6.5	18.0	(2.2)
Industrials	13.1	6.8	6.3	11.9	1.2
Consumer staples	9.6	4.6	5.0	12.6	(3.0)
Financials	9.4	23.4	(14.0)	9.9	(0.5)
Health care	9.2	2.5	6.7	7.5	1.7
Utilities	6.5	2.7	3.8	5.7	0.8
Real estate	4.5	5.9	(1.4)	4.3	0.2
Energy	3.2	4.2	(1.0)	1.7	1.5
Materials	3.2	4.6	(1.4)	2.9	0.3
Telecoms	1.5	4.2	(2.7)	0.6	0.9
Other	(2.1)	0.0	(2.1)	(1.5)	(0.6)
Net cash	9.1	0.0	9.1	10.8	(1.7)
Total	100.0	100.0	0.0	100.0	0.0

Source: Fidelity Asian Values (monthly factsheets)

Figure 5: Top 10 positions as at 31 December 2017

Holding	Country	Sector	Portfolio weight (%)	Portfolio weight 30 June 17 (%)	Percentage point change
WPG Holdings	Taiwan	Information technology	3.1	3.0	0.1
Taiwan Semiconductor	Taiwan	Information technology	2.8	2.7	0.1
LT Group	Philippines	Industrials	2.8	2.2	0.6
Power Grid Corp India	India	Utilities	2.7	3.0	(0.3)
Housing Dev Finance	India	Financials	2.4	2.5	(0.1)
Redington India	India	Information technology	2.2	1.9	0.3
Cognizant Tech. Sols.	USA	Information technology	2.0	0.6	1.4
Ascendas India Trust	India	Real estate	1.7	1.8	(0.1)
HDFC Bank	India	Financials	1.6	1.5	0.1
Gudang Garam	Indonesia	Consumer staples	1.5	1.2	0.3

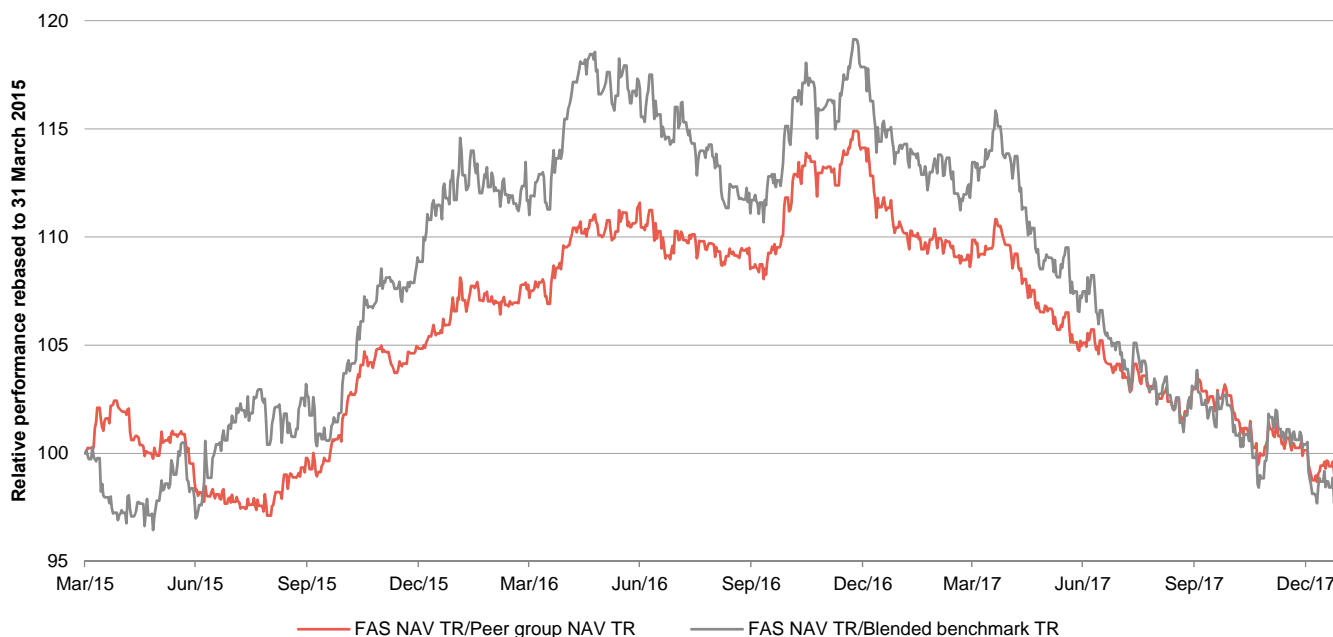
Source: Fidelity Asian Values (monthly factsheets)

Other new additions to the portfolio include the Vietnamese plush toy manufacturer, Dream International; Malaysian fast fashion producer, Padini Holdings; and Thai residential property developer, LPN Development.

Performance

Emerging markets continued their strong run of performance during 2017, bolstered by an improving global outlook in general and, in particular, in developed markets, such as the US, that are key destinations for emerging market exports. The technology sector, where FAS is naturally underweight, saw significant gains as did small and mid-cap stocks, particularly in India. The manager highlights that FAS, with its absolute return mindset, is likely to underperform a strongly performing market, such as was seen during 2016 and 2017 (although he also adds that FAS would likely outperform a narrow rally or one led by momentum). However, valuations have moved up across the board and, in many instances, look expensive. All things being equal, FAS' relative performance should benefit in the advent of a broader market sell-off. FAS' discount has continued to narrow, which has resulted in its share price total return exceeding its NAV total return during the last 12 months.

Figure 6: NAV performance relative to peer-group average since manager appointed (rebased to 100)



Source: Morningstar, Marten & Co

In terms of positive contributors to performance during the last twelve months, Nitin highlights Indian holdings in Redington India, a distributor of technology products, and departmental stores operator, V-mar; Nitin says that both benefitted from robust growth momentum.

Nitin says that Redington advanced as its strong network, working capital discipline and competitive advantages drove earnings higher. Nitin says that V-mart continued to witness strong demand and an expansion in profit margins; it remains a beneficiary of a large addressable market and a shift towards organised retailing. Thai lender TISCO Financial Group benefited from an improvement in asset quality and credit costs.

The manager says that, during the last 12 months, the main losses suffered by FAS' portfolio were from Power Grid Corporation of India, International Housewares Retail

and WPG Holding as these stocks lagged the broader market after recent gains. The manager regards all three of these as temporary losses (he expects them to catch up in time) and he has not changed the trust's holdings in any of them given what he sees as their strong long-term earnings growth prospects.

Figure 7: Total return performance to 31 January 2018

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	Since 01/04/2015* (%)
NAV	0.2	(0.1)	1.5	8.6	51.6	93.7	42.6
Share price	(2.0)	1.7	0.8	7.4	60.9	103.7	51.3
Blended benchmark	2.6	3.8	9.4	27.6	51.3	69.9	44.9
Peer group average NAV	0.9	2.7	7.1	21.7	46.0	67.0	42.8
Peer group average price	1.5	4.3	7.3	25.7	48.7	65.5	44.7

Source: Fidelity Asian Values, Bloomberg, Morningstar, Marten & Co. *Note: Nitin Bajaj was appointed to manage Fidelity Asian Values from 1 April 2015. Fidelity Asian Values' blended benchmark index comprises the MSCI AC Far East Ex Japan Index until 31 July 2015 and the MSCI AC Asia Ex Japan Index thereafter.

Fidelity Japanese Values

Bumper year, more to come?

Fidelity Japanese Values (FJV) provided very strong absolute returns during 2017. It benefited from a rising Japanese stock market and from the strong gains in mid/small cap growth stocks. Stock selection was the key driver of performance with FJV's holdings in services, retail trader and foods being key contributors. Despite this strong performance, FJV's manager is positive on the outlook. Loose monetary policy and better economic growth are contributing to a gradual, and much-needed, pick-up in inflation. Corporate profits and margins are at record highs, and the manager sees room for further improvement driven by strong domestic fundamentals and a favourable global outlook. He adds that, while the labour market is tight, capex is at record levels, reflecting investments in improving efficiency.

Long-term growth from Japanese-listed equities

The investment objective of the company is to achieve long-term capital growth from an actively managed portfolio of securities, primarily of small- and medium-sized Japanese companies listed or traded on Japanese stock markets.

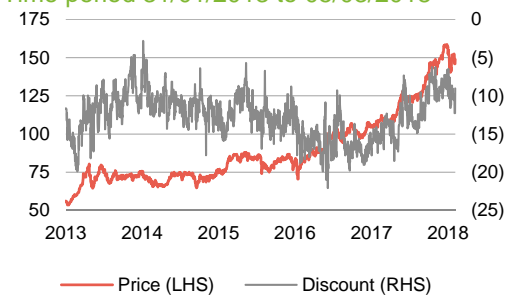
Year ended	Share price total return (%)	NAV total return (%)	Peer group average TR (%)	TOPIX Index TR (%)	MSCI World Index TR (%)
31/01/14	34.5	27.7	32.6	14.2	12.0
31/01/15	0.7	8.9	5.9	12.4	17.1
31/01/16	9.2	9.0	20.9	6.0	0.5
31/01/17	27.0	30.4	23.4	31.7	32.0
31/01/18	47.1	31.0	50.3	12.5	11.3

Source: Bloomberg, Morningstar, Marten & Co.

Sector	Japan Small Cos.
Ticker	FJV LN
Base currency	GBP
Price	149.00p
NAV	162.36p
Premium/(discount)	(8.2%)
Yield	Nil

Share price and discount

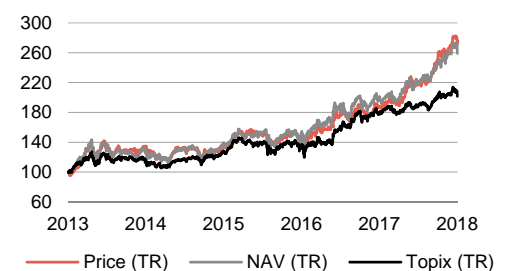
Time period 31/01/2013 to 05/03/2018



Source: Morningstar, Marten & Co

Performance over five years

Time period 31/01/2013 to 31/01/2018



Source: Morningstar, Marten & Co

Domicile	United Kingdom
Inception date	15 March 1994
Manager	Nicholas Price
Market cap.	202.1m
Shares outstanding	135.6m
Daily vol. (1-yr avg.)	167.6k shares
Net gearing	18.6%

Liberal Democratic Party election victory allows Abenomics to continue

A detailed discussion of the manager's outlook is provided on pages 22 to 26 of this review.

Readers interested in more information on FJV should see the special feature at the back of this report, as well as QuotedData's previous Fidelity Closed Funds Reviews, and QuotedData's last special feature on FJV in the May 2016 edition (see page 4 of this note for further details).

October 2017 saw Shinzo Abe's Liberal Democratic Party-led coalition secure a two-thirds 'super majority' in Japan's Lower House, allowing the prime minister to continue with 'Abenomics', his transformative policy regime. The three 'arrows' of monetary easing, fiscal stimulus and structural reforms are now widely expected to continue over the next four years.

Manufacturing PMI (purchasing managers index) is now at its highest for four years, while industrial production is also on a broadly rising trend, aided by export growth. Loose monetary policy and better economic growth are contributing to a gradual pick-up in inflation, which is feeding through to consumer prices.

Core inflation (the long run trend rate excluding volatile items) is running at around 0.9%, but Nicholas expects this to increase as commodity prices rise and the slack in the economy decreases (Japan is experiencing an increasingly tight labour market).

Corporate earnings are on a rising trend and Nicholas says that recent earnings per share (EPS) growth reflects a combination of top-line growth (i.e. revenue or sales growth) and better profitability. Moreover, Nicholas says that the trend in earnings revision by analysts has positive momentum and he expects to see further profits growth this year. Corporate profits and margins are already at record highs, but Nicholas expects this trend to continue during 2018, driven by a favourable global outlook and solid domestic fundamentals. Despite improving earnings and a favourable outlook, valuations have remained at what Nicholas considers to be attractive levels relative to other developed markets.

From an investment perspective, Nicholas says that a key area of focus is evaluating Japan's long-term challenges and turning these into investment opportunities. Themes include:

- Labour shortages – this is leading to increasing demand for recruitment, outsourcing, automation and child care. Japan is seeing its first overhaul in labour laws for 70 years, amid tight employment conditions, and companies are benefiting from growing demand for personnel and outsourcing services
- Lack of successors in management – this is leading to increasing consolidation among SMEs (small and medium sized enterprises)
- Asian consumption - growing incomes are supportive of stocks exposed to the consumer, for example specialty retail
- Internet services – this reflects dynamic growth in ecommerce
- Growing demand for medical care – for example, there is a shortage of nurses in Japan. This is leading to an increasing focus on home care and greater use of medical devices and medical technology
- Leisure and lifestyle spending – there is a focus on activities addressing the needs of the elderly as well as ageing-related products, and
- Global industry leaders – reflecting the improving global outlook.

Asset allocation

Core holdings within FJV's portfolio may be held for three to five years, but Nicholas has a strong sell discipline around valuations, that is he is focused in reducing positions as they reach his price targets (annual turnover is typically 80% - 100%). Nicholas has been actively trimming FJV's holdings in stocks that outperformed and recycling the proceeds into new holdings this year - for example, Nissan Chemical Industries and Mitsubishi UFJ Financial Group were sold out of earlier in 2017, as Nicholas felt near-term upside was limited. There has also been some profit taking in auto stocks, Yamaha Motor and Suzuki Motor, as well as services and retail stocks, Recruit Holdings and Nojima.

New stocks to enter the portfolio are Misumi Group and Fanuc. Both are plays on factory automation. Fanuc provides automation products and services, with a strong presence in robotics, while Misumi provides components for machine tools automation.

Figure 8: Top 10 largest positions at 31 December 2017

Holding	Sector	Portfolio weight	Index weight	Percentage point difference	Portfolio weight 30 June 2017 (%)	Percentage point change
		(%)	(%)			
M3 Inc	Chemicals	6.0	0.3	5.7	4.9	1.1
Daikin Industries	Machinery	4.9	0.0	4.9	4.6	0.3
Makita	Machinery	4.8	0.5	4.3	4.1	0.7
Yamaha Motor	Consumer discretionary	4.3	0.2	4.1	4.4	(0.1)
Sysmex Corporation	Electric appliances	3.8	0.4	3.4	2.6	1.2
Ryohin Keikaku	Retail trade	3.3	0.4	2.9	4.6	(1.3)
Misumi Group	Wholesale trade	3.3	0.3	3.0	2.0	1.3
Keyence	Electric appliances	3.1	0.0	3.1	4.6	(1.5)
Dai-ichi Life Holdings	Life insurance	3.1	0.0	3.1	0.0	3.1
Toshiba Corporation	Electric appliances	3.0	0.5	2.5	0.0	3.0

Source: Fidelity Japanese Values (monthly factsheet)

Figure 9: Sectoral allocations, as at 31 December 2017

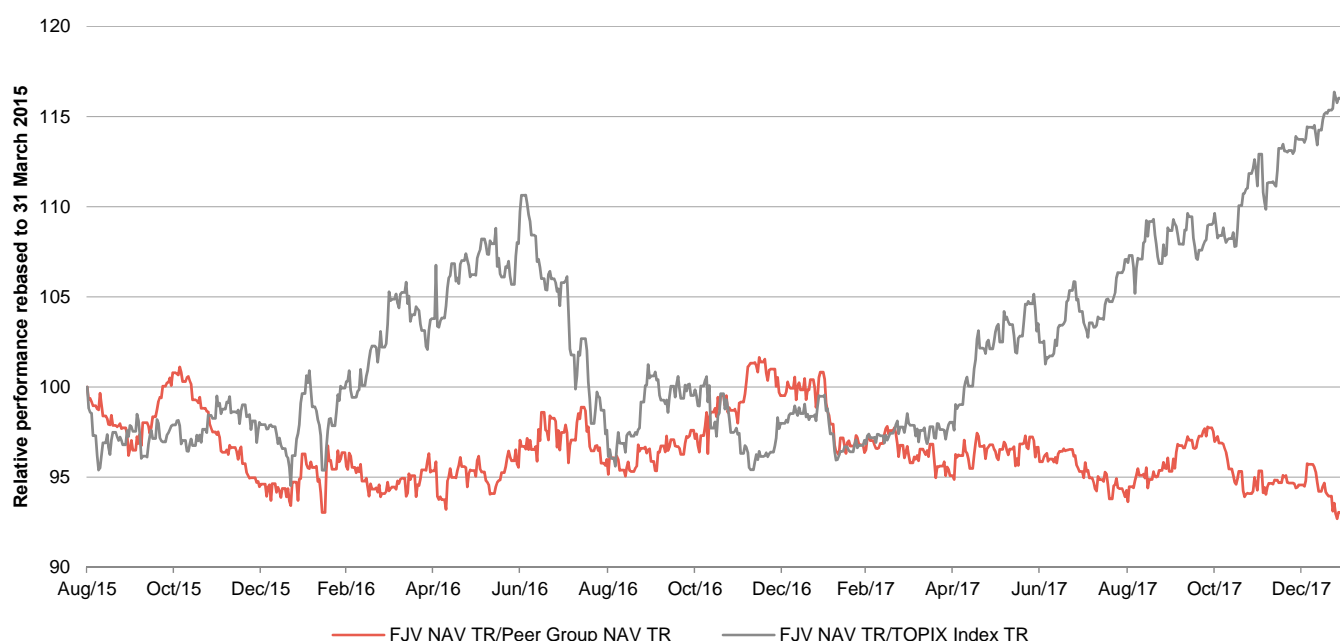
	Portfolio weight (%)	Index weight (%)	Percentage point difference	Portfolio weight 30 June 2017 (%)	Percentage point change
Electric appliances	17.3	9.9	7.4	16.3	1.0
Machinery	16.6	6.4	10.2	14.1	2.5
Services	15.6	5.5	10.1	19.8	(4.2)
Retail trade	9.1	7.9	1.2	10.7	(1.6)
Other products	8.6	2.0	6.6	10.0	(1.4)
Information & communication	6.6	5.3	1.3	10.2	(3.6)
Pharmaceuticals	6.6	3.2	3.4	8.6	(2.0)
Transportation equipment	4.9	4.4	0.5	6.5	(1.6)
Wholesale trade	4.5	4.1	0.4	3.2	1.3
Rubber products	4.2	0.5	3.7	4.2	0.0
Other sectors	24.7	50.8	(26.1)	19.3	5.4
Net cash	(18.6)	0.0	(18.6)	(23.5)	4.9
Total	100.0	100.0	0.0	100	0.0

Source: Fidelity Japanese Values (monthly factsheets)

Performance

While the second half of 2016 was challenging for FJV (the market was predominantly focusing on large-cap and value stocks), 2017 saw a marked reversal of its fortunes as growth stocks came back into favour. As illustrated in Figure 10 below, FJV's NAV total return has strongly outperformed that of the broader TOPIX index although it has lagged that of its Japanese smaller companies peer group. Nonetheless, FJV's absolute NAV and share-price returns have been very compelling. Looking at the contributions to FJV's performance, stock selection was the key driver of performance with FJV's holdings in services, retail trader and foods being key contributors. An underweight exposure to chemicals detracted from performance while exposures to other products, electric appliances, and information and communication also detracted.

Figure 10: NAV performance relative to peer-group average and TOPIX Index since manager appointed



Source: Morningstar, Marten & Co

Figure 11: Total return performance to 31 January 2018

	1 month	3 months	6 months	1 year	3 years	5 years	Since 1 Sep 2015
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
NAV	0.3	6.2	19.3	31.0	86.3	159.2	73.7
Share price	2.3	12.3	24.7	47.1	103.9	176.2	90.5
Topix	(0.8)	1.3	7.5	12.5	57.0	101.5	51.1
Peer group average NAV	4.4	13.3	24.7	42.9	107.0	210.7	91.2
Peer group average price	3.9	14.1	28.1	50.3	124.2	214.7	105.3

Source: Morningstar, Marten & Co, *date of manager's appointment

Looking at individual stocks, strong contributions have come from Recruit Holdings (driven by a tight labour market), Kotobuki Spirits (food), Nojima (retail trade), Ryohin Keikaku (retail trade) and Keyence (electric appliances). All of these stocks are exposed to the consumer. The larger detractors were Yonex (badminton equipment), Zojirushi (electric appliances) and Nissan Chemical Industries (chemicals).

Fidelity Special Values

Where to find absolute value?

The UK market had a strong run of performance during 2017 and Fidelity Special Values' (FSV's) manager, Alex Wright, is increasingly asked whether he can still find absolute value in the market. His answer is a cautious 'yes'. Alex acknowledges that valuations have increased but says this is countered by focusing on recovery stories, so that FSV's approach does not rely on rising markets to generate returns. Furthermore, he highlights that while value investors need to be selective in the current environment, there are many stocks that are deeply out of favour and this generates opportunities. By way of example, FSV's portfolio has 14 stocks trading below their book value. Alex sees strong potential from the portfolio and believes that his focus on having a 'margin of safety' gives significant protection in the event of a market sell-off.

UK-focused special situations

FSV aims to achieve long-term capital growth by investing in special situations. The portfolio is primarily focused on UK-listed equities and while it is an all-cap strategy, there is an inherent bias towards small-and-mid-cap companies. The manager has a value/contrarian style.

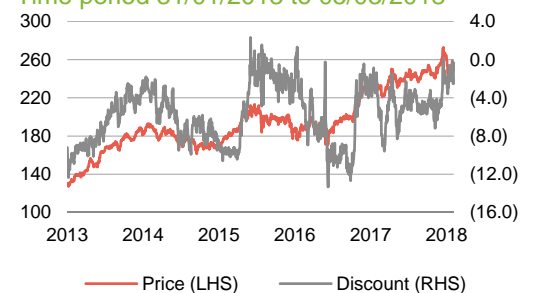
Year ended	Share price total return (%)	NAV total return (%)	Peer group average TR (%)	MSCI UK Value Index TR (%)	MSCI World Index TR (%)
31/01/14	43.7	35.1	19.4	6.2	12.0
31/01/15	(5.9)	(0.1)	2.2	3.6	17.1
31/01/16	12.5	5.7	2.8	(13.5)	0.5
31/01/17	22.9	21.3	14.8	28.2	32.0
31/01/18	17.3	16.9	10.9	10.5	11.3

Source: Morningstar, Marten & Co.

Sector	UK
Ticker	FSV LN
Base currency	GBP
Price	256.00p
NAV	256.84p
Premium/(discount)	(0.3%)
Yield	1.8%

Share price and discount

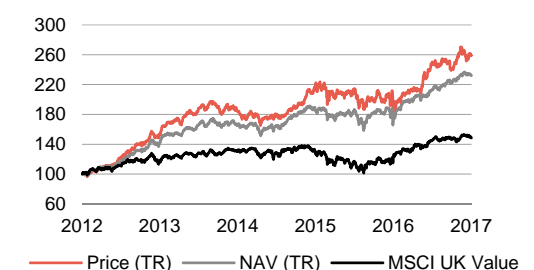
Time period 31/01/2013 to 05/03/2018



Source: Morningstar, Marten & Co

Performance over five years

Time period 31/01/2013 to 01/02/2018



Source: Morningstar, Marten & Co

Domicile	United Kingdom
Inception date	17 Nov 1994
Manager	Alex Wright
Market cap.	677.1m
Shares outstanding	264.5m
Daily vol. (1-yr. avg.)	257.5k shares
Net gearing	1.0%

Markets became increasingly expensive during 2017 and value investors (those who look for stocks that trade for less than their intrinsic values) need to be selective.

Alex is still able to find many stocks that are out of favour where he believes a good recovery is possible.

The search for absolute value

Stock-price appreciation generally moved ahead of earnings growth during 2017 with the market becoming increasingly expensive and reaching new highs. This adds to an already challenging backdrop for a value investor such as Alex (see QuotedData's previous notes for discussion of the impact of unprecedented liquidity in the post-financial crisis era), to such an extent that investors increasingly question Alex as to whether it possible to find absolute value in the market. Alex says that, with the market now trading around long-term-average valuations, and many stocks on peak margins, value investors need to be selective. However, while opportunities are less prevalent than they were three years ago, he is still able to find many stocks that are deeply out of favour, for esoteric reasons, where a good recovery is possible, in his view. By way of example, he says that FSV has 14 stocks in its portfolio that are trading below book value (Alex highlights the price to book (P/B) ratio as being a more stable measure of value than price to earnings (P/E) ratio, which suggests that these companies are either unable to cover their cost of capital or their assets are overvalued. Alex cites as examples International Personal Finance (IPF), Millennium & Copthorne and Royal Bank of Scotland. Some commentary is provided on these examples in the asset allocation section below.

Potential for a value rotation through normalisation?

The Trump reflation trade may have been short lived but, nonetheless, it gave the market an illustration of the potential for a value rotation (a market shift where investors move away from focusing on growth stocks to value stocks) as we return to a more normal economic environment. This may become more pertinent. We have already seen interest-rate rises in the US and the UK and while the Bank of England had previously indicated that further increases would likely be modest and slow, it has now said that interest-rate rises may now come through more quickly.

Asset allocation

Readers interested in more information on Alex's investment process should see pages 23 and 24 of QuotedData's February 2017 review.

FSV's asset allocation is primarily a result of the manager's stock-selection decisions, which explains the large overweight allocation to industrials, although some themes can be identified. For example, as illustrated in Figure 12, FSV's portfolio retains its large overweight exposure to financials stocks, which is also the largest absolute sector exposure. Alex has, for some time, maintained a large exposure to banks (this theme, which accounted for 14.0% of FSV's portfolio as at 31 December 2017, is explained on pages 26 and 27 of QuotedData's February 2017 review), but FSV also has meaningful allocations to insurance (five holdings which accounted for 8%) and diversified financials (15 positions that accounted for 13%).

The standout underweight exposure is to consumer goods. This reflects the manager's preference for avoiding both expensive defensive stocks and certain retail segments (particularly the supermarkets as, while they may look cheap, recovery prospects are hampered by the high levels of competition within the space). A more general theme is that, having previously increased the trust's cyclical exposure when these sectors were looking cheap towards the end of 2016, Alex reduced this as markets rose during 2017 and these stocks became more expensive. Companies that Alex has been reducing

recently include fintech company, NEX Group, Scandinavian Tobacco Group and Spirent Communications. In contrast, Sherborne Investors, Paypoint and Pearson are names he has been adding to.

Figure 12: Sectoral allocations at 31 December 2017

Heading	Portfolio weight (%)	Index weight (%)	Percentage point difference	Portfolio weight 30 June 2017 (%)	Percentage point change
Financials	39.2	26.5	12.7	37.4	1.8
Industrials	27.7	10.9	16.8	27.5	0.2
Consumer services	14.7	11.2	3.5	13.0	1.7
Oil & gas	6.8	12.9	(6.1)	6.8	0.0
Health care	4.7	8.0	(3.3)	4.8	(0.1)
Basic materials	3.8	7.6	(3.8)	2.4	1.4
Technology	3.5	1.2	2.3	4.8	(1.3)
Consumer goods	2.6	15.6	(13.0)	3.2	(0.6)
Telecommunications	2.5	3.6	(1.1)	3.2	(0.7)
Utilities	0.3	2.7	(2.4)	0.2	0.1
Other*	(4.8)	0.0	(4.8)	(6.2)	3.3
Net cash	(1.0)	0.0	(1.0)	2.9	(2.9)
Total	100.0	100.0	0.0	100.0	0.0

Source: Fidelity Special Values (monthly factsheets). * Note: Other includes FSV's FTSE 250 short position.

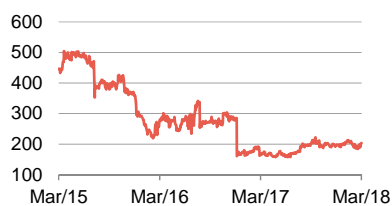
Figure 13: Top 10 overweight positions at 31 December 2017

Holding	Sector	Portfolio weight (%)	Index weight (%)	Percentage point difference	Portfolio weight 30 June 2017 (%)	Percentage point change
Citigroup	Financials	5.1	0.0	5.1	5.8	(0.7)
Ladbrokes Coral	Consumer services	5.1	0.1	5.0	3.2	1.9
CRH	Industrials	4.4	0.9	3.5	4.8	(0.4)
Phoenix	Financials	2.7	0.1	2.6	2.9	(0.2)
Pearson	Consumer services	2.8	0.2	2.6	0.6	2.2
Cairn Homes	Industrials	2.5	0.0	2.5	2.5	0.0
esure	Financials	2.5	0.0	2.5	2.5	0.0
Shire	Pharmaceuticals	3.7	1.4	2.3	5.9	(2.2)
Bank of Ireland	Financials	2.3	0.0	2.3	2.3	0.0
Coats	Industrials	2.2	0.1	2.1	2.1	0.1

Source: Fidelity Special Values (monthly factsheets)

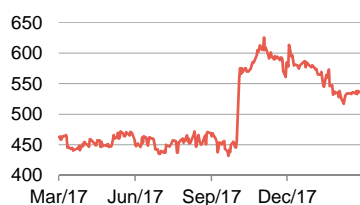
Citigroup remains the trust's largest overweight position while Pearson and Coats Group have joined the top 10 overweights.

Figure 14: International Personal Finance price over three years



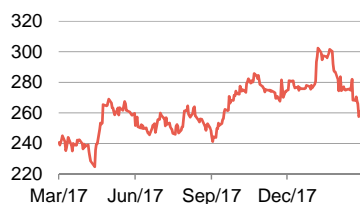
Source: Bloomberg

Figure 15: Millennium & Copthorne price



Source: Bloomberg

Figure 16: Royal Bank of Scotland price



Source: Bloomberg

FSV stocks trading below book value

As illustrated in Figure 14, IPF is a stock whose price has suffered over concerns regarding regulatory changes, principally price caps in its core eastern European markets (Poland and Slovakia), which is considered to be negative for profits growth. IPF is trading at 0.9x P/B and is generating a return on equity (ROE) of 14%. IPF shut down its Slovakian business, but the market has been concerned about the Polish business as this is significant. Alex thinks that the market is pricing in a worst - case scenario but this is not inevitable. IPF’s ‘doorstep approach’ not only gives its agents good visibility over a borrower’s personal circumstances but is relationship driven and acts as a significant barrier to entry. Perhaps reflecting this, when the Slovakian business was closed, IPF incentivised its field agents in terms of their collections and was able to recover the full book value of the business. This suggests a margin of safety to the investment and should the caps be lower than expected or fail to materialise, Alex sees significant upside potential.

Luxury Hotel Group, Millennium & Copthorne, trades at 0.7X book value and has a ROE of 4% (Whitbread in comparison has an ROE of around 13%). Alex says that its low ROE is a big driver of why it has been so poorly valued for an extended period but other factors include a 65% shareholder (Singapore’s City Developments, which is part of the Hong Leong Group owned by Millennium’s chairman, the billionaire Kwek Leng Beng) and a record of poor corporate governance. Alex sees significant upside potential in the business. He thinks that, properly managed, it could be generating an ROE as high as 20% and that the property portfolio is also significantly undervalued. Alex highlights that this was last revalued in 2013 but the company owns lots of freehold property in London and New York. A bid by City Developments, the majority shareholder, to acquire the 34.8% shares it does not already own, expired in January. Alex says that this demonstrates value in the assets but that investors felt that the offer undervalued the company.

Royal Bank of Scotland (RBS) is trading at 0.9x book value (despite recent strong performance) and has an ROE of 8.5%. Alex says that the ROE is reasonable but is low relative to history and he sees upside potential now that the process of rebuilding its capital is now largely complete. Moreover, RBS has a cost saving process in place and is targeting an ROE in excess of 12% over the next three years. An outstanding fine from the Department of Justice in the US is creating uncertainty but Alex thinks that the balance sheet is secure on a worst-case scenario and that dividends and share buybacks will be possible once the fine has been paid.

Performance

A prominent feature of markets during 2017 was the performance of growth stocks, particularly in the technology sector, which is not FSV’s natural ‘hunting ground’. Despite this, FSV’s NAV made good progress during year, with stronger performance in the first half, providing share price and NAV total returns ahead of its peer group’s averages.

Figure 17: Total return performance to 31 January 2018

	1 month	3 months	6 months	1 year	3 years	5 years	Since 01/09/12*
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
NAV	(0.9)	3.3	5.5	16.9	49.8	102.2	141.0
Share price	1.6	5.6	8.3	17.3	62.1	119.3	176.7
MSCI UK Value	(1.6)	1.8	5.3	10.5	22.6	35.0	52.9
Peer group average NAV	(0.3)	1.3	4.1	11.0	30.9	59.8	86.5
Peer group average price	1.0	2.4	6.1	13.5	33.4	64.9	97.7

Source: Morningstar, Marten & Co, *date of manager's appointment

As illustrated in Figure 18, the trend is one of consistent outperformance of the peer group over the longer term. Figure 18 also illustrates a long-term trend of even stronger outperformance over the MSCI UK Value Index, albeit with higher volatility. Stock selection has been the primary driver of returns during Alex's tenure. FSV has faced a significant headwind, during this time, from not owning the 'expensive defensives'.

Figure 18: Fidelity Special Values NAV total return versus peer group over five years



Source: Morningstar, Marten & Co

Key contributions during the six months ended 31 December 2017

Looking at individual stock contributions, for the second half of 2017, Ladbrokes Coral contributed 180 **basis points** (bp) to performance, Cairn Homes 33.9bp, Booker 28.5bp and Central Asia Metals contributed 25.2bp. FSV also gained from not holding GlaxoSmithKline (80.7bp), British American Tobacco (49.3bp) and Reckitt Benckiser (35.9bp). At the other end of the scale, the stocks which detracted most from performance were Ultra Electronics (-109.8bp), Esure (63.6bp) and Leonardo (60.9bp).

Special feature: Fidelity Japanese Values

More information on the rationale behind Nicholas Price's appointment, as well as a discussion on 'The new Japan', can be found in the previous special feature on FJV (in QuotedData's May 2016 review).

FJV has a stock picking portfolio. The manager likes companies benefiting from a fundamental improvement in trading, a change in trading environment and where market sentiment is at odds with their prospects.

Nicholas' portfolios tend to have a bias towards mid-cap growth companies.

Value is determined by examining long-term fundamentals of each business.

Fidelity Japanese Values (FJV) has been managed by Nicholas Price since September 2015. When he took over, he transformed FJV's portfolio, shifting to his own 'growth at reasonable valuation' style. This focuses on fast-growing but attractively valued medium-sized and smaller Japanese companies and is designed to benefit from the growth of the more dynamic sectors of Japan's economy.

Nicholas Price

Nicholas has been working in Fidelity's Tokyo office since 1993, initially as an analyst and since 1999 as a portfolio manager. In addition to FJV, he manages the FIJ Aggressive Growth Fund, the FF Japan Aggressive Fund, the FIJ Japan Growth Fund and a number of other accounts.

Investment approach – growth at reasonable valuation

Nicholas is a bottom-up stock picker. He has free rein to decide on the composition of FJV's portfolio, and it will bear little relationship to the composition of the benchmark index. Companies that interest Nicholas in particular include those that are benefiting from a change in fundamentals (for example, market share growth, driven by the introduction of highly-competitive new products or services), a change in the operating environment (for example, a change in consumers' mindset and greater willingness to buy online, fuelling strong growth in internet sales) and companies where market sentiment is at odds with their prospects (for example, where there is a gap between mid-term growth opportunities and overly pessimistic market sentiment).

Nicholas aims to identify 80-120 holdings for the portfolio from a universe that comprises over 3,500 Japanese-listed equities. Screening these to eliminate stocks with insufficient liquidity reduces the 'investable universe' to around 1,000 stocks. Nicholas draws on the research produced by Fidelity's team of 15 analysts (based in Tokyo and focused on Japan), some broker research, his own investment ideas and the information gleaned from over 300 company visits each year. This produces a number of candidates worthy of further investigation.

Nicholas prefers to focus on companies that are generally not that well-researched (under-researched companies may also be undervalued companies). His portfolios tend to have a bias towards mid and small-cap growth companies as he feels that these tend to generate more attractive returns on equity and are more likely to have management aligned to shareholders' interests and are properly incentivised. Figure 19 overleaf shows FJV's style distribution versus the index as at 31 December 2017. Interestingly, while FJV has an overweight exposure to all of the growth segments, the mid-cap growth allocation is broadly in line with the index; FJV had a significantly more overweight position in both the small and the large-cap growth stocks. Conversations with company management are cross-checked against information from their competitors, clients and suppliers.

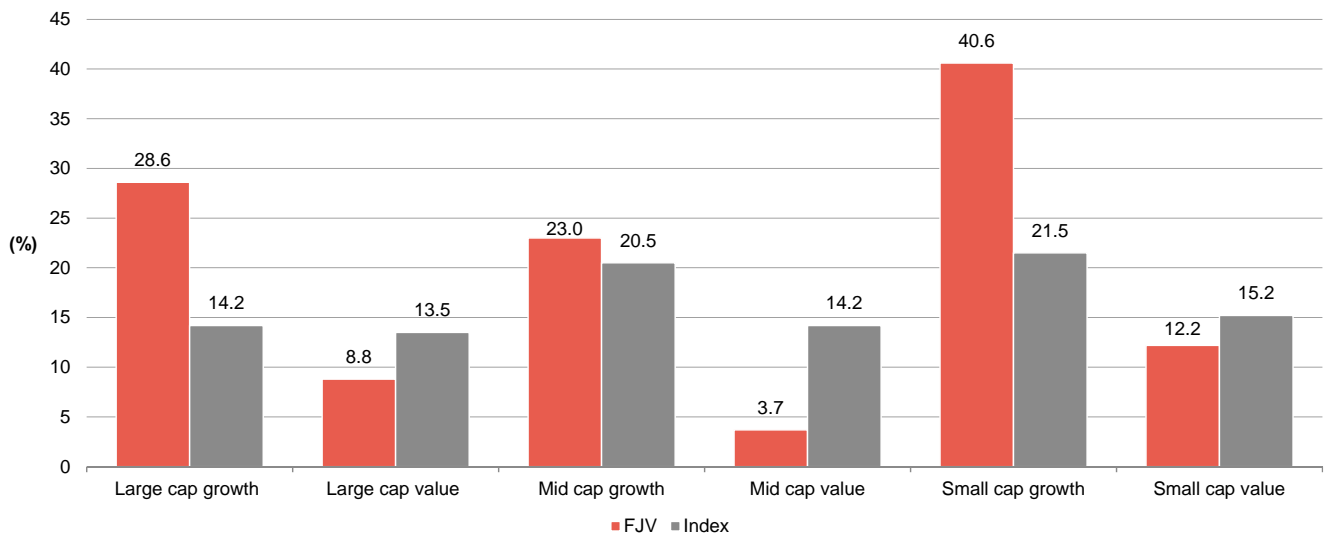
Value is determined by examining the long-term fundamentals of each business, where its valuation sits today relative to history, competitors and from an assessment of its earnings growth potential.

A typical holding period for a stock is estimated to be one to three years. Stocks will be sold if they reach the manager’s valuation target or if the business case deteriorates.

Nicholas operates a strong sell discipline.

Nicholas regularly trims winning positions and recycles cash into new investment ideas. Fidelity believes it is Nicholas’ strong sell discipline that has, for the funds that he has been running for some time, helped to minimise the number of down quarters.

Figure 19: Style distribution as at 31 December 2017

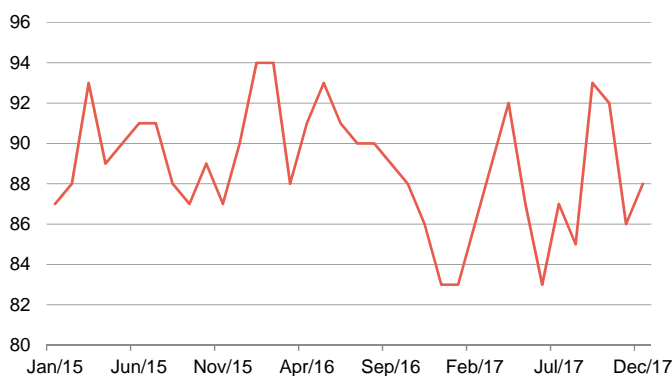


Source: Fidelity International

A diversified portfolio

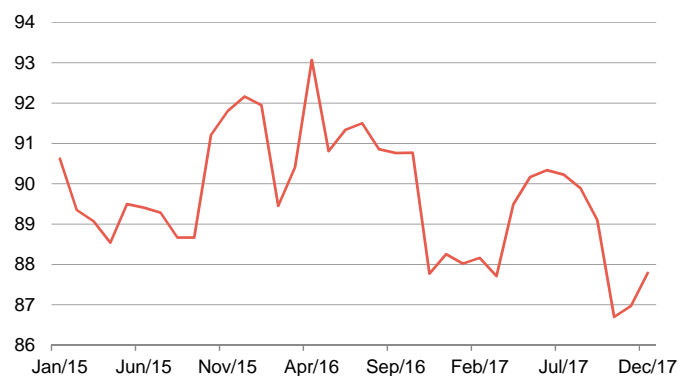
As illustrated in Figure 20, Nicholas maintains a diversified portfolio of around 80 to 95 stocks. The position size is driven by Nicholas’ conviction in the stock’s growth prospects, its liquidity, valuations and his view of the potential profit to be made from investing in the stock. Another feature of Nicholas’ approach is that his portfolios exhibit a high active share – which means that a large proportion of the positions in the portfolio does not correspond to stock weightings within the benchmark index.

Figure 20: Number of holdings



Source: Fidelity International

Figure 21: Active share

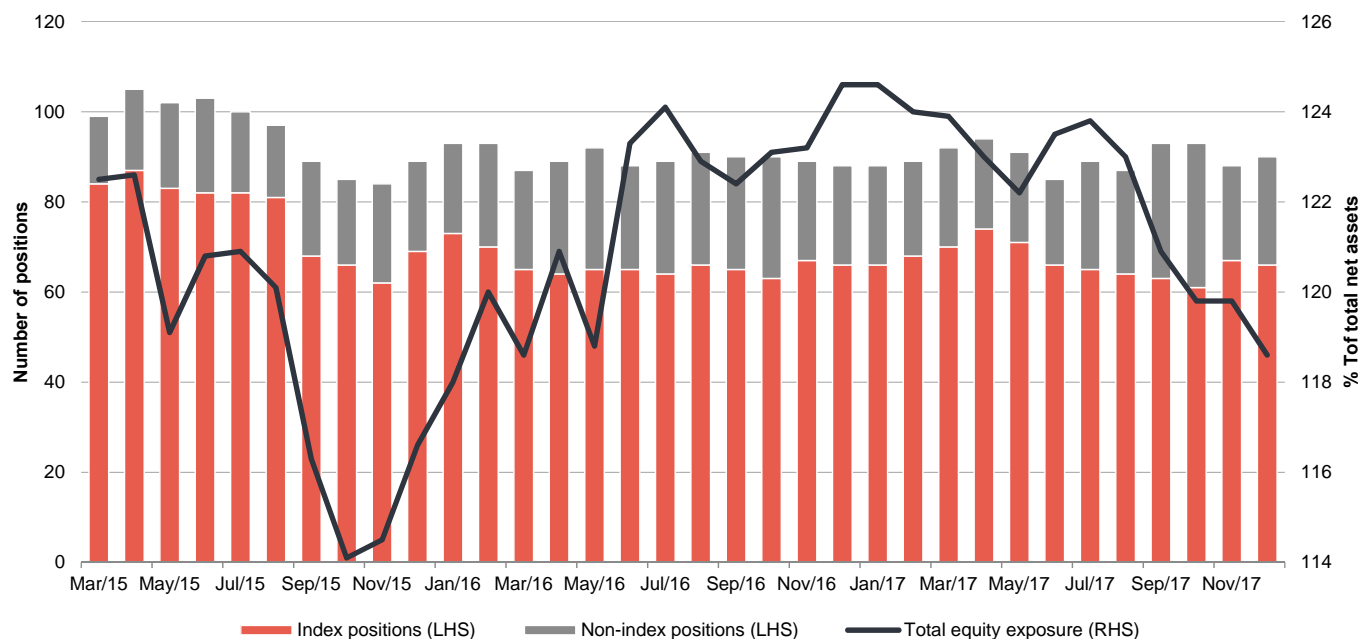


Source: Fidelity International

Gearing – a function of available ideas

The level of gearing (borrowings) in the portfolio is determined by the availability of investment ideas. As illustrated in Figure 22, Nicholas reduced the level of gearing in the portfolio as markets rose during the second half of 2017. Nicholas has said that, if markets continue to rise, he will bring gearing down further. Figure 22 also illustrates that, in terms of the number of distinct positions, FJV’s portfolio is heavily dominated by stocks that are not represented in benchmark indices.

Figure 22: Index and non-index constituents, and total equity exposure



Source: Fidelity International

Portfolio characteristics

Figures 23 and 24 provide a summary of key characteristics and valuation metrics for FJV’s portfolio as at 31 December 2017. It is apparent from Figure 24 that, while FJV’s portfolio is more expensive than the market average, it has a much higher expected earnings growth and considerably higher return on equity.

Figure 23: Portfolio characteristics as at 31 December 2017

	Portfolio	Detail
Number of holdings	90	Typical range 80 - 110 holdings
Maximum stock position	+/- 6%	Dependent on the manager’s conviction in the mid-term growth prospects, valuations and upside potential
Maximum sector position	+/- 10%	A direct result of stock selection
Active money	112.0%	Long-term average to exceed 80%
Tracking error	7.45%	Typical range 5% - 10%; there is no specific target
Annual turnover	Typically 100%	The manager operates with a one-to-three-year investment horizon

Source: Fidelity International

Figure 24: Portfolio valuation metrics as at 31 December 2017

	Portfolio	Index	Detail
Median market cap	£5.4bn	£4.2bn	Focus on mid/small-cap growth stocks, with some exposure to large companies
One-year estimated earnings growth rate	19.8%	13.0%	Typically higher than the market
Price/earnings ratio	19.1x	16.1x	Typically in line or above the market
Price/book ratio	2.8X	1.4x	Typically higher than the market
Return on equity	11.8%	7.9%	Typically higher than the market

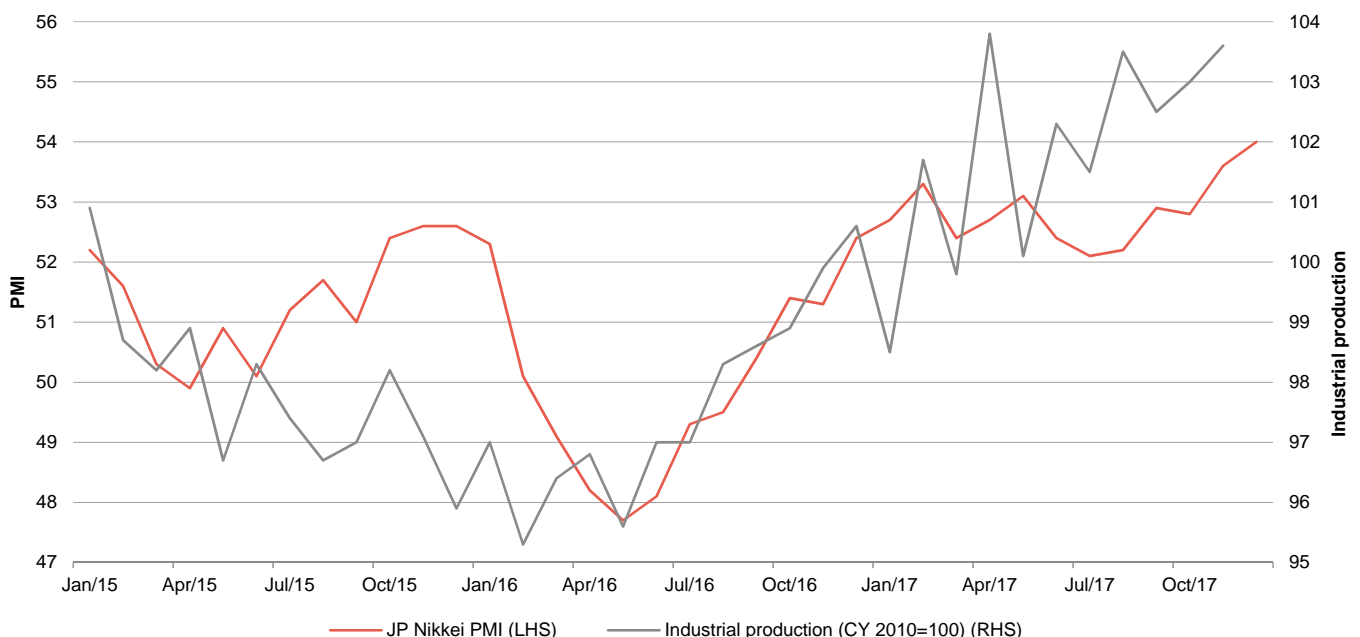
Source: Fidelity International

Manager's Outlook

Japan faces some well-documented challenges, but the trend is one of gradual improvement

FJV's manager acknowledges that the Japanese economy faces some well-documented challenges, not least an ageing population, low inflation and shifts in the value of the yen. However, when the last note on FJV was published, Nicholas held the view that the trend is one of gradual improvement and recent data confirms his view.

Figure 25: Manufacturing PMI and industrial production



Source: Markit, Datastream and Ministry of Economy, Trade & Industry.

Manufacturing PMI is now at its highest for four years. Industrial production is also on a broadly rising trend.

Figure 25 shows the manufacturing purchasing managers index (PMI) and industrial production during the last two years. Manufacturing PMI is a good guide to sentiment within manufacturing companies. This is now at its highest for four years, suggesting purchasing managers are quite optimistic. Industrial production is also on a broadly rising trend (it was up 8% in Q4 2017) aided by export growth (Japan is a major exporter), itself driven by an improving global economic outlook. Within Asia, a key destination for Japanese goods, an export-led cyclical recovery has helped Japan's

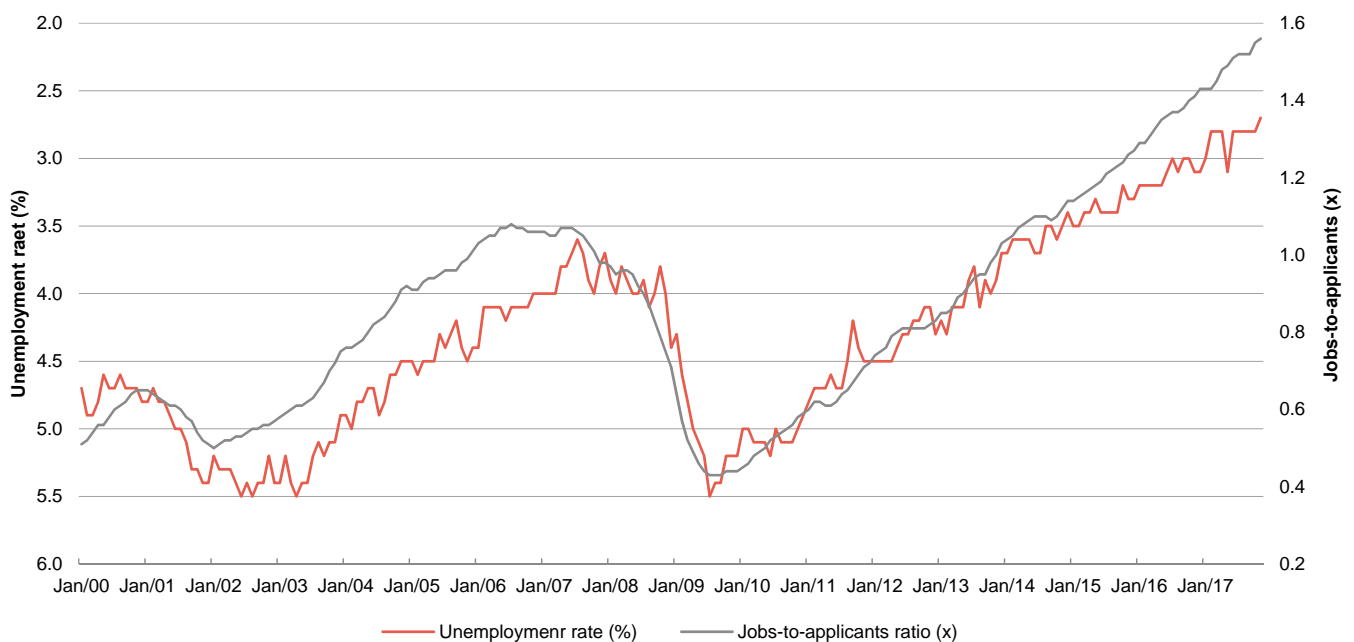
export prospects across the region. In common with many other commentators, Nicholas considers that the global economic cycle is quite advanced. Reflecting this, he is focusing on companies with a proven record of consistently growing their earnings (he is looking for 10-15%+ per annum over a three-to-five-year period).

Japanese consumer confidence growing

Unemployment is at its lowest since the 1990s and the number of jobs per applicant is at a multi-decade high.

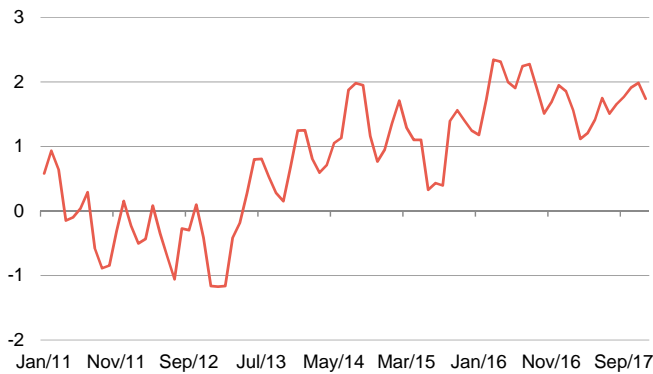
As illustrated in Figure 26, Japan is experiencing an increasingly tight labour market. Unemployment is at its lowest since the 1990s and the number of jobs per applicant is at a multi-decade high, which combined is supportive of wage growth. In tandem with this, the percentages of women and seniors in the workforce have increased significantly. This has contributed to the growth in total employment income, which is driving increasing consumer confidence and ultimately consumption (see Figures 27 and 28 overleaf), particularly given the backdrop of rising inflation (see below). The government has a sales tax increase scheduled for 2019 (this was originally scheduled for April 2015, then October 2017), and Nicholas thinks that further stimulus could be forthcoming to ensure that the economy remains on a growth path past the 2020 Tokyo Olympics.

Figure 26: Unemployment rate (inverted scale) and jobs-to-applicants ratio



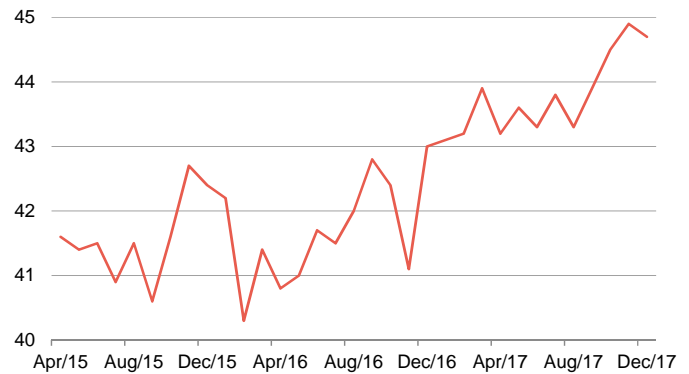
Source: Ministry of Internal Affairs and Communications, Ministry of Health labour and Welfare.

Figure 27: Growth in total employment income (YOY%)



Source: Ministry of Internal Affairs and Communications, Ministry of Health Labour and Welfare.

Figure 28: Consumer confidence



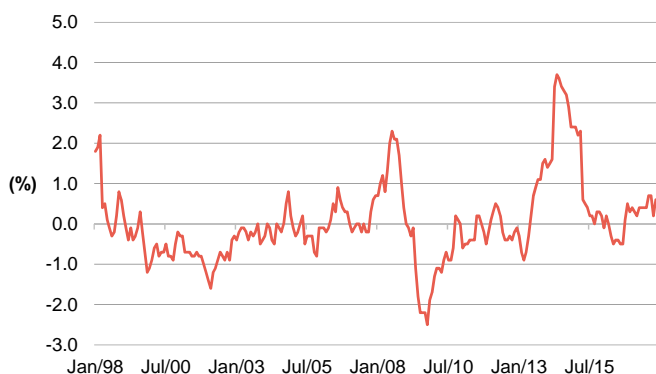
Source: Ministry of Internal Affairs and Communications, Ministry of Health Labour and Welfare.

Loose monetary policy and economic growth is leading to a gradual pick-up in inflation

Election victory has given the prime minister a new mandate to pursue his 'Abenomics' policies for stimulating economic growth.

October 2017 saw Shinzo Abe's Liberal Democratic party-led coalition secure a two-thirds 'super majority' in Japan's Lower House. This has given the prime minister a new mandate to pursue his 'Abenomics'. The three 'arrows' of this policy are: monetary easing (trying to increase the amount of money circulating in the economy), fiscal stimulus (basically, tax cuts and extra spending designed to put more money in people's pockets) and structural reforms. This approach is now widely expected to continue over the next four years. Loose monetary policy and better economic growth are contributing to a gradual pick-up in inflation. Producer price inflation of around 3% is feeding through to consumer price inflation (CPI), as illustrated in Figures 29 and 30 below. Core inflation (the long-run trend rate, excluding volatile items) is running at around 0.9%, but Nicholas expects this to pick up as commodity prices increase and the slack in the economy decreases. Nicholas points out that, of the four key inflation measures used by the Bank of Japan, all four turned positive in Q3 2017. He says that this is the first time that this has occurred in 25 years.

Figure 29: CPI – All items, year-on-year change (%)



Source: Ministry of Internal Affairs and Communications

Figure 30: CPI – excluding fresh food, year-on-year change (%)



Source: Ministry of Internal Affairs and Communications

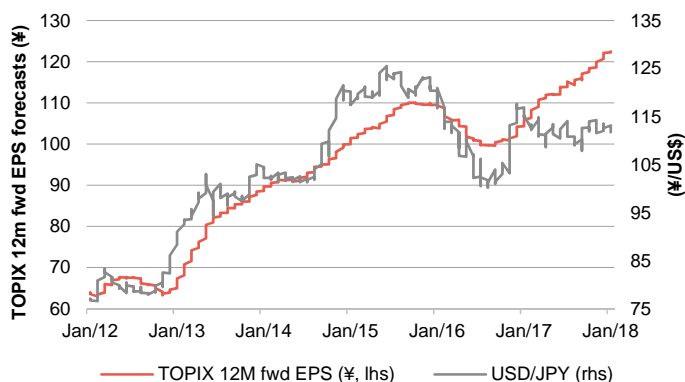
Strong recovery in corporate earnings and corporate profits, and margins are at record highs

Recent EPS growth is due to a combination of top line growth and better profitability.

As illustrated in Figure 31, forecast corporate earnings are on a rising trend and historically there has been a marked correlation with the ¥/US\$ exchange rate reflecting Japan's prowess as a major exporter. However, as also illustrated in Figure 31, the relationship with the exchange rate appears to have broken down more recently. Nicholas' explanation is that recent earnings growth is not due to the currency effect and reflects a combination of top-line growth and better profitability. Moreover, Nicholas says that the trend in earnings revisions by analysts remains positive and he expects to see further profits growth this year. Corporate profits and margins are already at record highs, but Nicholas expects this trend to continue during 2018, driven by a favourable global outlook and solid domestic fundamentals.

Figure 31: TOPIX 12m forward earnings (¥) versus ¥/US\$ rate

Figure 32: Net profit margin



Source: Ministry of Internal Affairs and Communications

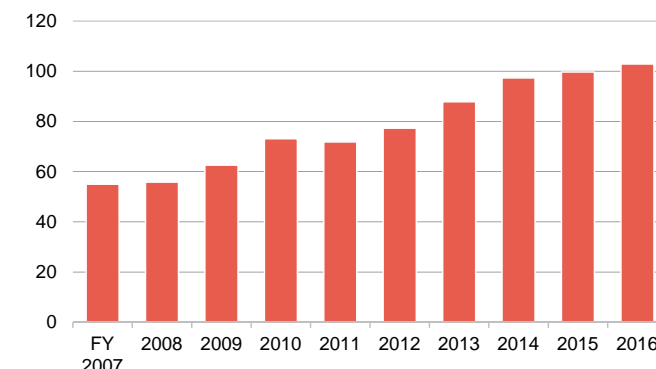
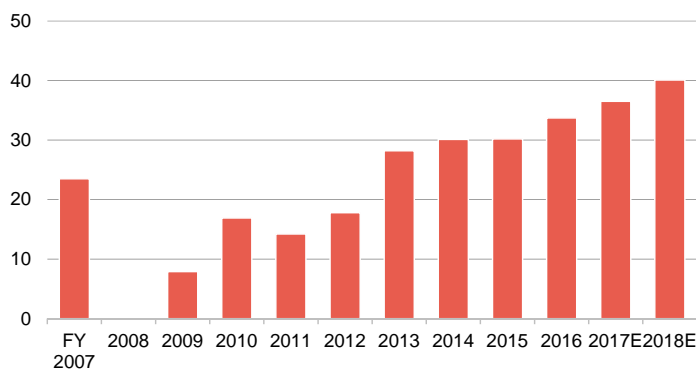
Source: Ministry of Internal Affairs and Communications

Continued progress on corporate governance reforms

Nicholas says that Japanese companies continue to make progress on corporate governance reform. Progress is gradual but he thinks this is helping to drive shareholder returns to a record high (see below). Nonetheless, with companies holding considerable cash, he believes these still have room to grow further.

Figure 33: Net profits for Japanese companies (TSE1, ¥tn)

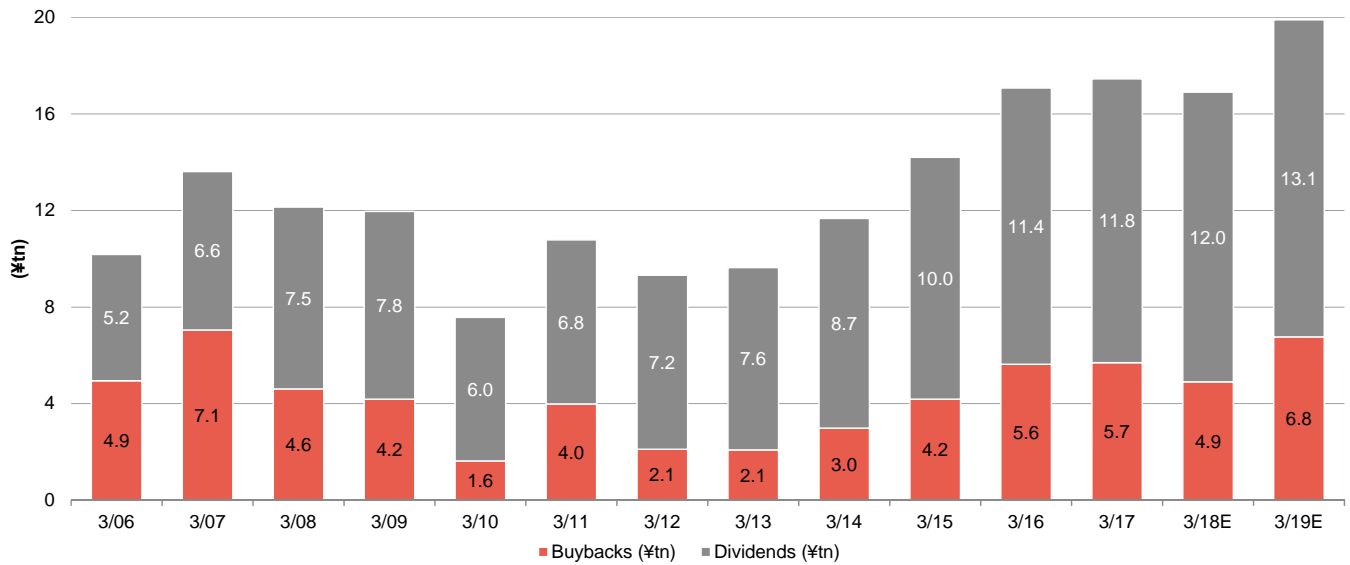
Figure 34: Cash holdings at Japanese companies (TSE1, ¥tn)



Source: Fidelity International, company data supplied by Goldman Sachs

Source: Fidelity International, company data supplied by Goldman Sachs

Figure 35: Shareholder returns (TSE1, consolidated base, ¥tn)

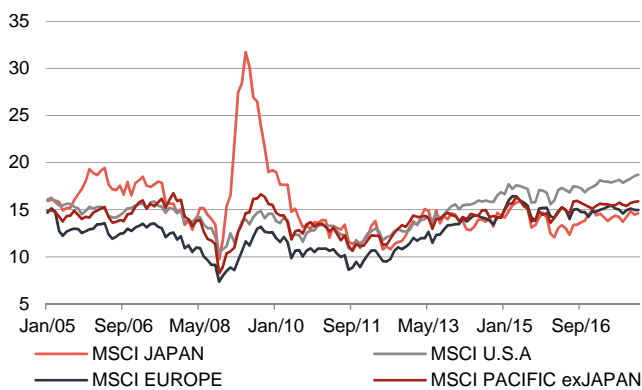


Source: Fidelity International, company data supplied by Goldman Sachs

Japanese stock valuations compare favourably with other developed markets

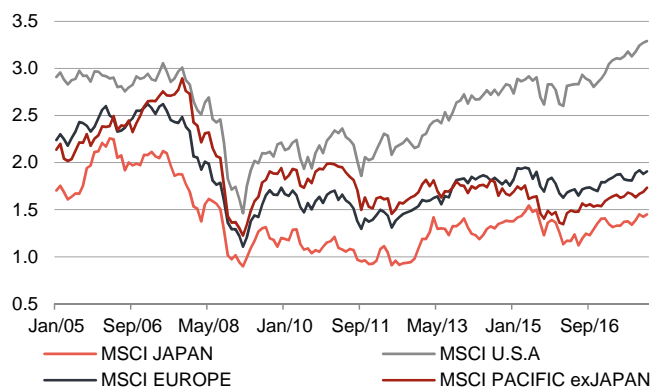
As illustrated in Figures 36 and 37, the Japanese market has, during the last couple of years, become marginally more expensive in absolute terms. However, Nicholas says that other developed markets such as the US have been moved by an expansion in multiples, whereas the uptrend in the Japanese market has been accompanied by improving fundamentals and earnings growth. As a result, Japan is the only developed market that has de-rated in relative terms. Furthermore, while valuations are higher than they have been, they do not look particularly demanding relative to history.

Figure 36: Price/earnings ratio



Source: Ministry of Internal Affairs and Communications

Figure 37: Price/book ratio



Source: Ministry of Internal Affairs and Communications

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