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# Portfolio Manager & Team



**Alex Wright**  
Portfolio Manager

**Years of Investment  
experience: 16**

**Education:**

BSc Hons Economics,  
Warwick University,  
CFA Charterholder

**1 Roving UK small  
cap specialist**

**5 Pan European  
small cap analysts**

**40 Pan European  
mid/large cap  
analysts**

**Approx 90 rest of  
world analysts**

## Fidelity Experience

<b>Fund Manager, Fidelity Special Situations</b>	<b>Jan 2014 – Present</b>
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<b>Fund Manager, Fidelity Special Values</b>	<b>Sep 2012 – Present</b>
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<b>Fund Manager, Fidelity UK Smaller Companies</b>	<b>Mar 2008 – Present</b>
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<b>Pan-European sector analyst</b>	<b>2001-2008</b>
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**+ 6 UK Portfolio Managers**



**Matthew Jennings**  
Investment Director

Source: Fidelity International

# Fidelity Special Situations

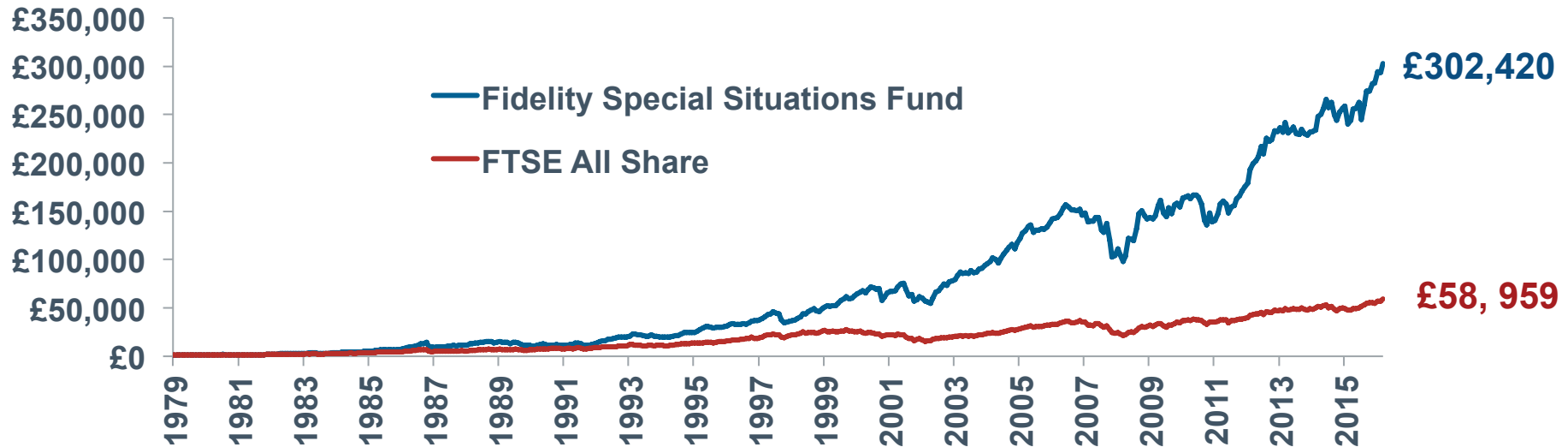
- ❖ Launched in 1979 by Anthony Bolton
- ❖ I am the third manager since then
- ❖ We have all shared a contrarian investment approach, attracted to areas regarded with uncertainty and fear by other investors
- ❖ Fidelity's Research team is critical to the fund's performance
- ❖ Approach can deliver returns significantly ahead of the market over the long term, though shorter term performance can be volatile

# Over to you

**What would £1,000 invested in Fidelity Special Situations at its launch in 1979 be worth as at 28 February 2017?**

- A. £30,242**
- B. £58,960**
- C. £302,420**
- D. £589,600**

# Fidelity Special Situations



Feb 12 – Feb 13   Feb 13 – Feb 14   Feb 14 – Feb 15   Feb 15 – Feb 16   Feb 16 – Feb 17

Fidelity Special Situations	26.7%	22.4%	3.3%	-0.7%	24.8%
FTSE All Share	14.1%	13.3%	5.6%	-7.3%	22.8%

Source: Fidelity International, Morningstar, 28 February 2017. Basis: bid-bid, income reinvested in GBP. Since launch performance relates to the A Acc share type from 17 December 1979. The fund's primary share class according to the IA is shown in the five year table (A Acc until 15 October 2012, W Acc thereafter). Holdings can vary from those in the index quoted. For this reason the comparison index is used for reference only.

**Past performance is not a reliable indicator of what might happen in the future.**

# Industry change

Capital leaves unloved sectors



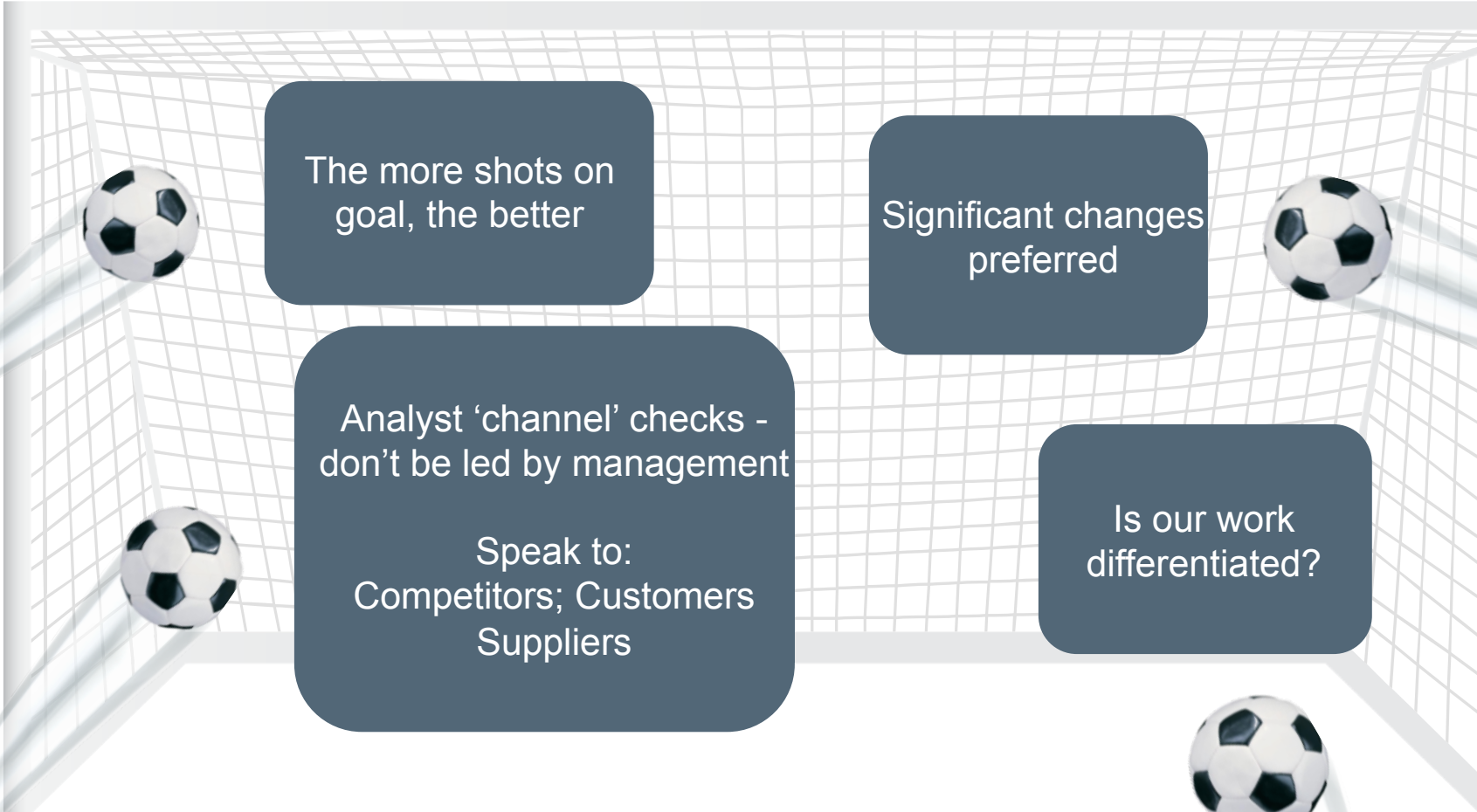
# Company change

## Looking for credible turnaround strategies



# Company change

Looking for multiple 'shots on goal'



The more shots on  
goal, the better

Significant changes  
preferred

Analyst 'channel' checks -  
don't be led by management

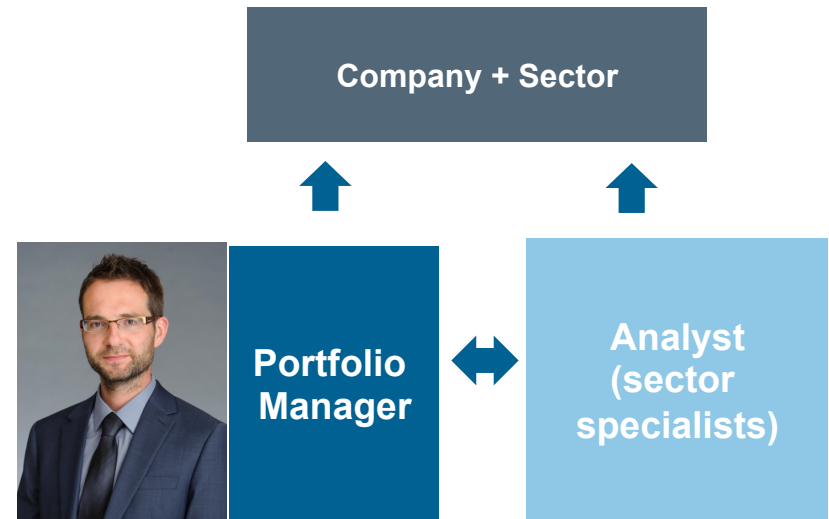
Speak to:  
Competitors; Customers  
Suppliers

Is our work  
differentiated?



# Working with the Fidelity Research Team

- ❖ Ability of analysts to spend extra time meeting competitors, suppliers, customers, etc is a key competitive advantage
- ❖ Sell side research on unloved companies tends to be superficial and poor at anticipating change
- ❖ Focussing our research resources on unloved and poorly researched companies means we can be truly differentiated



- |                              |                                    |
|------------------------------|------------------------------------|
| ▪ Idea generation            | ▪ Idea generation                  |
| ▪ Upside / downside analysis | ▪ Due diligence and channel checks |
| ▪ Meeting management         | ▪ Model building / updating        |
| ▪ Portfolio construction     |                                    |

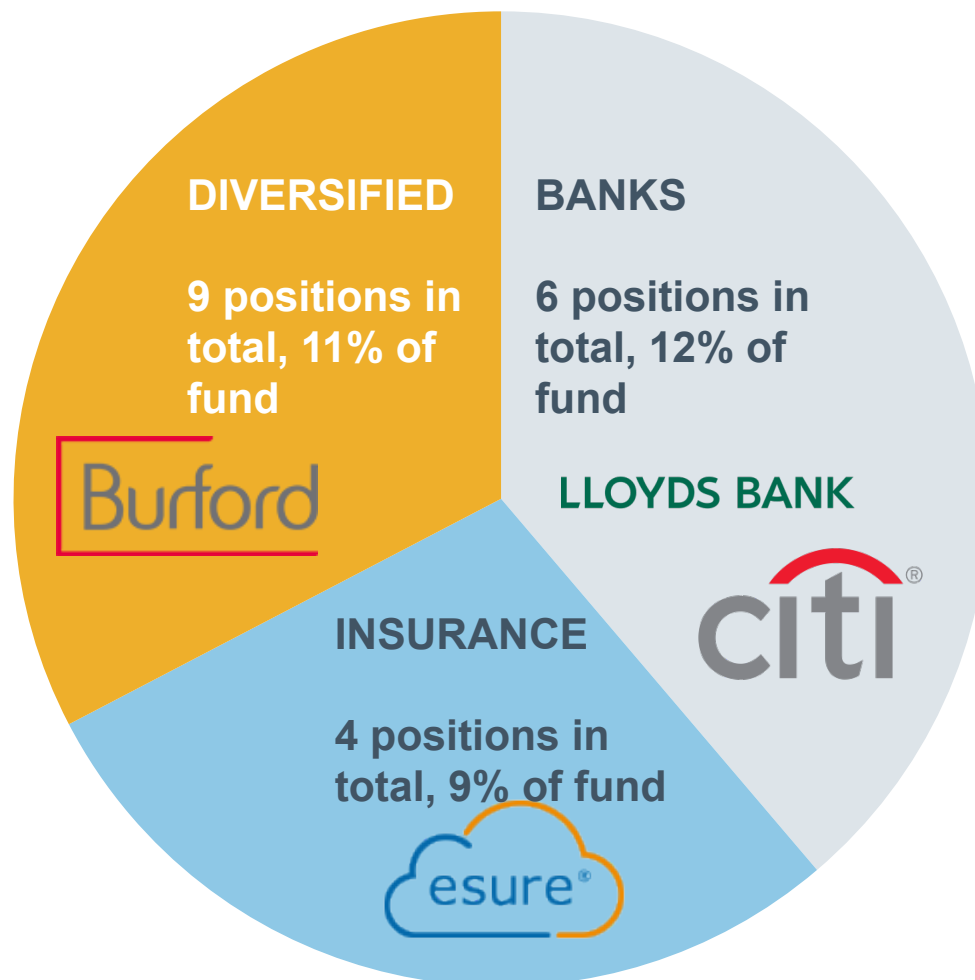
**The Fidelity Research team is critical to the success of the investment process**

# Sector and Stock Examples

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# Financials: much more than just banks

Special Situations Financials weighting = 32%



Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Note: Relative weightings: Banks +1% ,Insurance +3%, Div Fins +4%. Source: Fidelity, March 2017

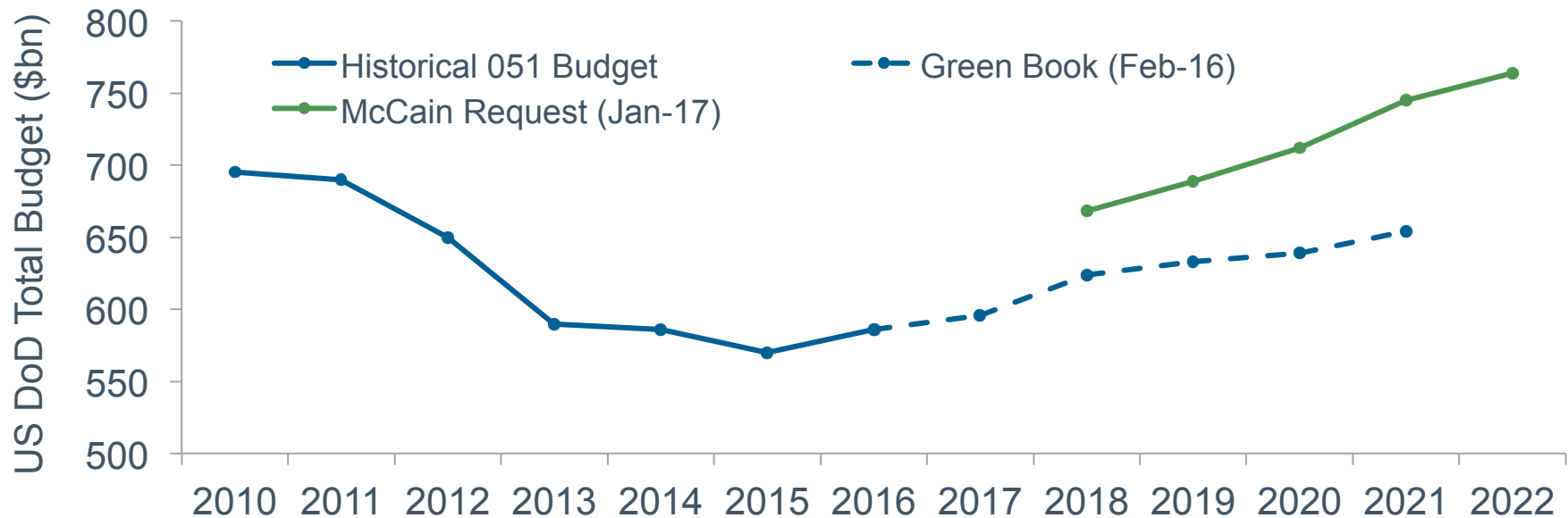
# Why I like investing in Financials

- ❖ Complexity and uncertainty means many investors steer clear of financial business models
- ❖ 2008 crisis lingers in investor's imagination
- ❖ Heterogeneous business models across different sub-sectors create opportunities for stock-picking

# Stock Example - Ultra Electronics – Industry Change

- Defence budgets increasing in US and Europe after years of cuts
- Niches such as naval tech and cyber-security likely to benefit

US defence budget increasing



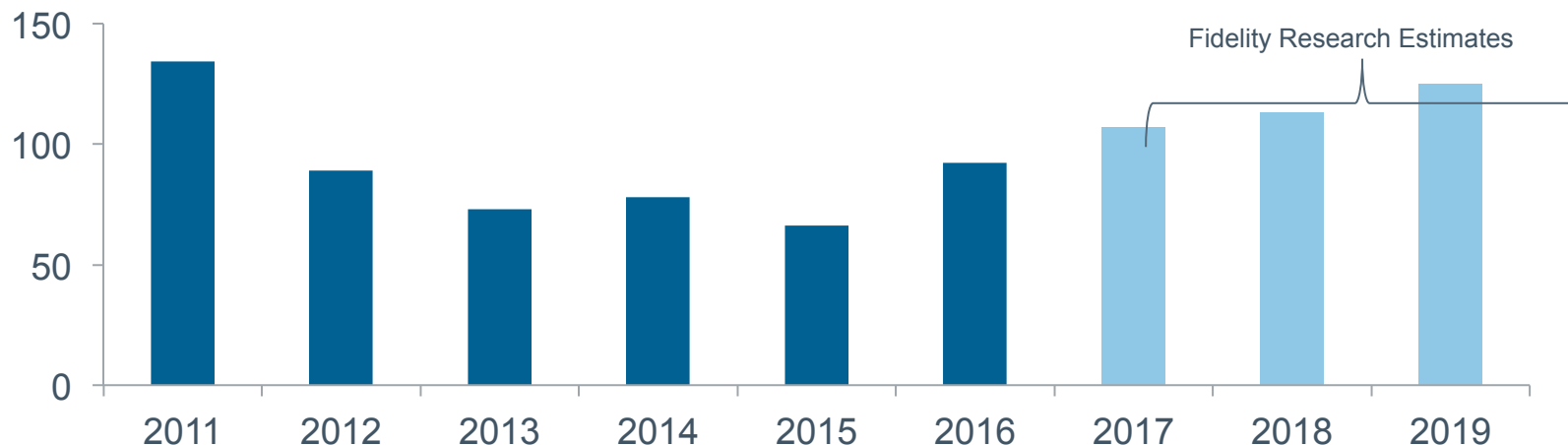
Past performance is not a reliable indicator of what might happen in the future. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Fidelity, 'Restoring American Power' February 2017

# Stock Example - Ultra Electronics – Company Change

- Improved cost controls across businesses with S3 integration program.
- Historical contract losses no longer impacting numbers
- R&D spending high vs peers – indicates innovation and promising product pipeline.

## Operating Free Cash Flow set to recover



**Past performance is not a reliable indicator of what might happen in the future. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.**

Source: Fidelity, February 2017

# Guess the stock

- FTSE Small Cap
- You can find them worldwide in shopping centres and supermarkets
- Not a retailer
- Major growth opportunity in security
- c5% dividend yield with good track record of growth



Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Fidelity Research Estimates, February 2017

# Stages of working

Owning unloved companies through a period of positive change

## Stage 1



## Stage 2



## Stage 3

Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Fidelity, January 2017. Not exhaustive list of holdings



# Important information

The value of investments and the income from them can go down as well as up, so you may not get back what you invest. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

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