

**SHINING A LIGHT ON THE.....
Fidelity Emerging Market Equities Fund**

AT A GLANCE

Investment Objective	
Invests principally in areas experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East. The fund may invest its net assets directly in China A and B Shares.	

Inception Date	25 th September 2009
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR05KLN

Management	
Manager Name	Start Date
Nick Price	1 st July 2009

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	67.09%
Large	22.42%
Medium	9.93%
Small	0.57%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	79	
Assets in Top 10 Holdings	43.19%	
Name	Sector	% of Assets
AIA Group Ltd	Financial Services	7.40%
Naspers Ltd Class N	Technology	6.93%
HDFC Bank Ltd	Financial Services	4.99%
Housing Development Finance Corp Ltd	Financial Services	4.12%
PT Bank Central Asia Tbk	Financial Services	3.74%
Fidelity ILF - USD A Acc	-	3.74%
Taiwan Semiconductor Manufacturing Co...	Technology	3.53%
Sberbank of Russia PJSC	Financial Services	3.12%
China Mengniu Dairy Co Ltd	Consumer Defensive	3.11%
SK Hynix Inc	Technology	2.52%

Volatility Measurements	
3-Yr Std Dev (volatility)	13.98%
3-Yr Mean Return (average)	13.00%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2014 to 28th February 2019:

	2014	2015	2016	2017	2018	2019
Fidelity Emerging Markets Fund	5.09%	-1.50%	17.52%	30.22%	-15.71%	5.16%
iShares MSCI EM ETF	2.62%	-11.15%	33.56%	24.43%	-9.25%	3.36%

Performance over 12 months, 3 years, and 5 years:

	1 year	3 years	5 years
Fidelity Emerging Markets Fund	-13.14%	40.26%	46.27%
iShares MSCI EM ETF	-7.08%	55.68%	50.78%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

There are strong arguments for investing in emerging markets and there are a number of managers vying for investors money. Fidelity have an excellent track record investing in Emerging Markets but this fund has underperformed for the last five years. The argument from the team is that this fund tends to be more defensive, although this approach worked in 2015 but not in 2018.

The team like the consumer theme but believe this can be delivered through different sources, especially banks and insurance companies. Examples of financial services they rate include AIA and Tinkoff.

Other companies they rate include Naspers who are an internet conglomerate, China Mengniu Dairy and Suzano (who are a pulp and paper producer in Brazil). They are overweight Russia, India and South Africa but underweight China, Korea, Taiwan, Brazil and Mexico.

This is not a pure emerging market play as they can, and do, own developed market companies. For example, Adidas, where the majority of earnings come from emerging markets.

With poor performance it is difficult to extol the virtues of this fund. In terms of what they look for in a company; those that have superior and sustainable returns on assets, long term growth opportunities, low levels of debt, management aligned with shareholders and reasonable valuations.

In summary, there is no doubt that Nick Price and Fidelity have a good reputation for investing in Emerging Markets. But for the last five years this fund has significantly underperformed and although seen as defensive this didn't work in 2018. In terms of a USP this is difficult to identify, and therefore it comes down to stock picking. As it stands this doesn't appear to have worked but the question for potential investors is whether there is the ability to reverse this decline.

The source of information in this note has been provided by Fidelity and is correct as at March 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.