

**SHINING A LIGHT ON THE.....  
Fidelity Asia Pacific Opportunities Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
The Fund's investment objective is to achieve long term capital growth from a portfolio primarily made up of the securities of companies having their head office or exercising a predominant part of their activity in the Asia Pacific region excluding Japan.	

<b>Inception Date</b>	24 September 2014
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000UE35">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000UE35</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Anthony Srom	24 <sup>th</sup> September 2014

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	56.98%
Large	31.28%
Medium	6.91%
Small	4.79%
Micro	0.00%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	28	
<b>Assets in Top 10 Holdings</b>	57.4%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
AIA Group	Financials	9.5%
HDFC Bank Ltd	Financials	6.9%
Franco-Nevada Corp	Materials	6.6%
Kweichow Moutai Co Ltd	Consumer Staples	6.2%
BOC Aviation	Industrials	5.6%
China Petroleum and Chem Corp	Energy	4.9%
Hangzhou Hik-V Dig Tech	Information Technology	4.8%
Sun Hung Kai Properties	Real Estate	4.7%
Zhejiang Sanhua	Industrials	4.4%
Angel Yeast	Consumer Staples	3.8%

<b>Volatility Measurements</b>	
<b>3-Yr Std Dev (volatility)</b>	13.59%
<b>3-Yr Mean Return (average)</b>	14.11%

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## FUND PERFORMANCE

Performance from 24 September 2014 to 30 September 2019:

	2014	2015	2016	2017	2018	2019
<b>Fidelity Asia Pacific Fund</b>	2.90%	7.24%	32.28%	28.72%	-5.80%	23.46%
<b>iShares MSCI AC Far East ex JPN ETF</b>	2.81%	-5.92%	27.34%	28.84%	-10.18%	8.79%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
<b>Fidelity Asia Pacific Fund</b>	14.77%	44.64%	118.49%
<b>iShares MSCI AC Far East ex JPN ETF</b>	1.19%	23.68%	55.05%

*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....

This is one of the top Asia Funds in its sector. It has a concentrated portfolio of between 25 and 35 stocks. They don't look to take any thematic, sector or country bias but instead focus purely on the companies they invest in. Having fewer stocks, they argue, provides them with better knowledge of the companies they invest in. The strategy has been running since 2014.

In terms of fund size there is currently \$600 million in the strategy. They expect to be able to manage this up to around \$2.1 billion. At this point they will want to protect existing investors to ensure that the strategy continues to deliver.

In terms of the trade war the manager explained that is important to understand what is driving it and that is the desire to slow down the geopolitical influence of China. China is becoming more influential in emerging markets, whether through trade or money. This is in area which has the strongest potential for growth. They see that tech will drive the next global leader and 5g will be at the forefront of this; 3g was Europe, 4g US, and China are significantly ahead in the race towards 5g.

In terms of manufacturing the supply chains have already shifted away from China to places like Vietnam, Cambodia and Indonesia.

China is becoming a leader on its own. There was no doubt that they were good at "copy and paste", then they moved to "copy, past and improve", and now they have their own products which they are significantly ahead of the market on. From companies developing precision cutting tools for chips and tech hardware to surveillance cameras. In terms of surveillance this is about air check-in, facial recommendation for mobile phones and using cameras for operating machinery.

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Risk plays an important part in the construction of the portfolio. Having a more concentrated portfolio they believe lessens the risk because they know each business better. Protection of assets is crucial to the team and therefore capturing less on the downside is a key element to the strategy. In terms of companies they are looking for strong businesses. This means taking a view on the direction of earnings and returns on investor capital over the next 18 months.

If their view is similar to the market they will move on. If their view is different to the market, then the stock may move to the watch list. Having a large team means they can constantly check numbers, talk to the trading teams etc to find those gems. They don't have a particular bias to domestic, regional or global companies.

In terms of some of the holdings; Zhejiang Sanhua have an 80% market share of temperature control valves. They have pricing power and it would be very hard for someone to overtake them. Where their product is being used is in electric cars to control the air conditioning, and they have an exclusive contract with Tesla, and others.

Another example is BOC Aviation, who buy and lease aircrafts to Air Asia and other low-cost airlines. They have favourable lending rates from Bank of China, a recurring income stream and are tapping into a growth industry. Shiriham Transport Finance provide financing for second hand commercial vehicles. They have been doing this for 30 years plus, and it is a well-managed business.

In terms of holding periods there is no fixed period. They have held for as short as 2 days and others have been part of the portfolio since it started. The fund can hold up to 10% in illiquid stocks although currently this is 2.5%. When they are buying stocks they look at how long it will take to sale. On the sale side this will normally happen if something in the original theses has changed, if they have lost conviction in the stock or there is limited upside left.

In summary, Fidelity have a strong Asia team and this fund has delivered strongly. In terms of holdings these are different from many other Asia strategies. There are one or two similar strategies with concentrated portfolios, and these have outperformed. The mix between risk and stock picking is strong and certainly this might be a strategy to consider.

*The source of information in this note has been provided by Fidelity and is correct as at October 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.*