

Fidelity China Special Situations (FCSS)

13/01/2026

Results analysis from Kepler Trust Intelligence

Fidelity China Special Situations (FCSS) has reported half-year results to 30/09/2025 which saw a NAV total return of 29.7%, considerably ahead of its benchmark which returned 18%, and the (unweighted) average of the peer group of 18.1%. The main contributors included core holdings in the consumer and industrials sectors, many of which align with manager Dale Nicholls' key focus on the advanced manufacturing and innovation themes, which have thrived this year.

Several financial firms were sold during the period, leading to a sector underweight. In exchange, the manager added to a range of consumer-facing businesses. There was also a new private addition in a crypto exchange, although this subsequently listed in December 2025.

Gearing added positively to performance, although was reduced slightly over the period.

Whilst share price returns were also strong, the discount widened slightly. To help manage this, the board undertook share buybacks, with the aim of keeping the discount in single figures.

Manager Dale Nicholls' outlook noted: "Particular promise in advanced manufacturing, automation, and technology-enabled industrials; areas aligned with policy priorities and capable of compounding value over time," whilst reiterating he remains, "focused on companies with durable earnings visibility, exposure to structural growth themes and disciplined capital allocation".

Kepler View

Manager Dale Nicholls has delivered another period of exceptional returns for Fidelity China Special Situations (FCSS), capturing all of the recovery in China's equity market and more over the past year, leaving it as the top performer in the sector over almost all time periods, in both share price and NAV total return terms.

Performance has come from a wide range of contributors which we think demonstrates the strength of the manager's flexible approach and his ability to identify alpha across a broad opportunity set. This includes the ability to invest in private companies, many of which have developed in the period, demonstrating how they can benefit the trust throughout their holding life-cycle.

Dale has continued to evolve the portfolio, reflecting the changing background. He has taken profits from his strong performers and rotated into areas of better value such as those exposed to the consumer. We believe this can be supportive to future performance should the economic recovery continue to gain firmer footing. Moreover, the portfolio looks well exposed to the country's strong long-term themes which are the focus of heavy research and development spending.

This approach has helped tilt the portfolio towards the better pockets of value which could offer considerable upside in our view. Whilst the market has re-rated in the past couple of years, the MSCI China Index trades closer to its own long-term averages on a 12-month forward earnings, but still well below the equivalent multiple of the S&P 500. With Dale rotating into areas with more subdued valuations, we believe the trust offers a compelling value opportunity going forward.

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