



anywhere

A fund that aims to find  
Europe's best opportunities

# Fidelity Funds

## European Special Situations Fund

**The fund with the freedom to find great opportunities across Europe**



FF European Special Situations Fund is a dynamic investment fund designed to find capital growth opportunities across the European Markets. Its aim is to outperform its peer group and fund manager Parus Shah has the freedom to explore investment ideas across established and emerging European Markets. Parus has a focused investment approach and looks to build an investment portfolio of around 40-50 companies. FF European Special Situations is one of more "unconstrained" funds in Fidelity's European equity range. The manager has the freedom to invest where conviction permits and is not constrained by benchmark, sector or country allocation. When markets are volatile, such flexibility can be advantageous in seeking out the most attractive investment. Within the fund objective, he has a "go anywhere" philosophy - his current focus is on looking for companies that have the "it" factor(s). These factors are the ones that will make a significant difference to the earnings potential or the valuation of the company. Parus uses a bottom-up stock investment approach - in other words he focuses on the analysis of individual stocks, rather than on the industry in which that company operates or on the economy as a whole. He is a firm believer in the more stones you turn over the more likely you are to find something interesting. Furthermore, the winner is the investor who is fastest to "see" the picture as opposed to just some of the jigsaw puzzle pieces.

You should be aware that the value of a fund can go down as well as up and you may get back less than you invested. You may also get back more or less than invested as a result of currency fluctuations.



### About the manager

Parus started his Fidelity career as an equity analyst in 1999. Over the next five years he worked in a range of sectors, including hotels and leisure, diversified financials and steel. He then became team leader for European consumer industry stocks. His first portfolio management experience came in 2005 when he worked alongside Anas Chakra on his UK and European funds. Parus then took charge of his own pilot funds which focused on the UK and Europe. Parus studied at the London School of Economics where he gained an MSc in Accounting and Finance and a BSc in Management Sciences.

## A wider perspective...

FF European Special Situations has been created with the freedom to go further to find new investment opportunities. Parus believes there are certain factors, such as globalisation, which can create long-term growth opportunities for companies across Europe. This is particularly the case in the economies of emerging Europe, where trends such as rising consumer incomes and increasing infrastructure investment are creating sustainable earnings for various companies. In many cases, investment opportunities can arise because other investors in the market underestimate these companies' growth potential or overlook their potential for change.

A good example of the potential for change is the hydropower industry where Parus is finding valuable ideas. The industry is undergoing structural change which is seeing strong demand for new capacity in Emerging markets and replacement of older facilities in developed markets. Currently around 70% of capacity is more than 30 years old. Furthermore the high energy prices coupled with the expected increase in electricity demand is encouraging hydropower investments as new equipment is around 30% more efficient. Investments in emerging markets can be more volatile than those in more developed markets.

When researching new investment opportunities, Parus likes to take a wide geographic focus. This willingness to explore investment opportunities beyond the traditional, established European economies helps him develop a more comprehensive understanding of the different ways that companies can capitalise on changing trends and growth opportunities. He can then invest in those companies that he believes represent the best opportunities.

## ...and an active approach

The manager only invests in those stocks that he believes have the characteristics and earnings opportunities to outperform the broader stock market. Before investing, Parus – supported by Fidelity's equity researchers – closely examines both the company and the industry environment in which it operates. This helps him understand where the firm derives its income and profitability.

Parus has a very active investment style, which means that once he finds a company meeting his investment criteria, he is likely to invest more in it than the benchmark level. This means the fund's investors only gain access to the manager's best investment ideas. Also, because he aims to hold just 40 to 50 stocks, he has a preference for "liquid" investments – in other words, shares that are traded frequently and easily. This allows him to buy and sell stocks when he wants to. Generally speaking, the companies selected to be held in the fund will each have a market value of greater than €500 million.

A focus on the long term is an integral part of Parus's investment philosophy. Rather than looking for short term profits which can be a risky strategy, he values companies that can deliver sustainable profits – businesses that are well placed to exploit market niches or can access other longer-term growth opportunities. He invests in companies with strong profit levels and good free cash flow, but avoids companies that don't have a robust business model and tangible earnings streams.



## In brief

### The fund that stops at nothing to find opportunities

#### Investment style

The portfolio manager is a bottom-up stock picker with a long-term investment philosophy. He focuses on companies benefiting from long-term growth opportunities, some of these taking five to ten years to develop fully.

#### Extended frontiers

Although the core of the fund will be invested in more traditional European markets, there will be a focus on new European markets when interesting investment opportunities materialise.

#### Active investor

Compared to many other European equity funds, FF European Special Situations invests in relatively few companies, targeting 40 to 50 stocks.

#### Focus on risk and reward

The manager focuses on companies that he believes will generate the highest return, but he also considers the level of risk.

#### Fund facts

Portfolio Manager:	Parus Shah
Years at Fidelity:	9
Location:	London
Appointed to fund:	01.10.2008
Launch Date:	21.01.2008
Fund Currency:	Euro
Number of holdings:	40–50
Benchmark:	MSCI Europe Index
Fund Sector:	Equity Europe



## Going everywhere

### A global research network

Fidelity has always recognised that the ability to generate long-term outperformance depends on an organisational culture and approach that provides investment professionals with the tools to achieve superior returns. When looking for new investment opportunities, it is vital to have as full a picture as possible about the environment in which these companies operate. And with increasing levels of globalisation, it is important to analyse not just a company's prospects, but their competitors, suppliers and customers, wherever they may be in the world.

Fidelity portfolio managers have the benefit of our global research network of investment professionals. The combination of global reach with local knowledge – we have analysts in ten different countries – means our portfolio managers have access to insights on sectors and stocks right around the world.



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