

## Manager Profile

## Fidelity Funds European Special Situations



FF European Special Situations Fund portfolio manager Fehim Sever has been with Fidelity for seven years. Within the fund objective, he has a 'go anywhere' philosophy – his current focus is on exploring Europe's emerging markets and he can also invest a portion of the fund outside Europe where he finds favourable investment opportunities. Fehim is a bottom up stock picker and seeks to identify companies that can benefit long term growth themes, some of these lasting 5–10 years.

### Background and experience

Fehim started his Fidelity career as an equity analyst in 2001 and is currently located in London.

#### Fidelity career

Since 2008	<b>Portfolio Manager, FF European Special Situations</b>
Since 2006	<b>Portfolio Manager, a European Fund for Canadian investors</b>
2005 – 2006	<b>Assistant Manager, FF European Growth Fund</b>
2003 – 2006	<b>Portfolio Manager, Consumer pilot fund</b>
2003 – 2005	<b>Consumer Team Leader</b>
2003 – 2005	<b>European Media Sector Equity Analyst</b>
2001 – 2003	<b>European Engineering Sector Equity Analyst</b>

### Education and other experience

Prior to joining Fidelity, Fehim was a portfolio manager for Global Portfolio Management, a Turkish financial services company (1998–1999). He holds an MBA from the University of Michigan and a BA in Business Administration from Bogazici University in Istanbul, Turkey.

### A structured approach to identifying opportunities

The portfolio manager is a bottom up stock picker with a long term investment philosophy. He looks for stocks with long term growth potential, and where the value of earnings is significantly different to the market valuation. Fehim employs a 'go anywhere' approach, which means not only is he willing to focus on emerging European markets, but he also has the flexibility to invest up to 20% outside of Europe. His investment process generally follows three main stages:

- Idea generation
- Quantification of risk and reward
- Portfolio construction

Please be aware that investments in small and emerging markets can be more volatile than other more developed markets. Due to the lack of liquidity in many smaller stockmarkets, certain funds can be more volatile and your ability to redeem your investment may be restricted in extreme circumstances.

#### Quantification of risk and reward

Fehim's research process is underpinned by first hand research. As well as drawing on the global resources of Fidelity's equity analysts, the manager uses a number of other information sources to generate stock ideas and quantify risk and reward. Company visits and industry contacts play a key role in generating and validating stock ideas.

#### Research

- High leverage of Fidelity resources
- Company meetings emphasising on-the-ground research (company site visits)

#### Alternative sources

- Industry contacts – fairs, private equities, hedge funds

#### Wide geographic focus

- Significant focus on new Europe
- Special attention to under-researched geographies

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.

### Freedom to go anywhere

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 investments. FF European Special Situations Fund will have exposure to core European markets but the portfolio manager is also willing to invest up to 20% of the fund outside European markets if he finds more favourable valuations there. Furthermore, Fehim is particularly interested in finding companies that he believes are well placed to exploit long term growth trends, and he sees stocks from emerging European markets as meeting this criteria. At the moment, the themes that Fehim is interested in include:

#### Under-estimation of structural growth potential

- Global imbalances
- Regional opportunities

#### Under-estimation of change

- Shifting product focus
- Dynamic industry competition

#### Anomaly in valuation multiples or methodology

- An irrational sell off
- Mispricing

### Search for conviction

Fehim holds a database derived from his research process which evaluates stocks based on return potential and investment risk.

- Focus on stock specific characteristics, rather than broader market assumptions
- Focus on why the market has underestimated corporate earnings
- Spot valuation anomalies – why does the market think the company is poor quality, and what needs to change for the anomaly to end

### Construction of an optimal portfolio

In deciding what size of position to take in the portfolio, he seeks to optimise the return potential per unit of risk undertaken. It is not simply about a share's active weight, but the risk impact that the active weight in each individual stock will have.

The highly concentrated portfolio holds around 35–50 stocks, with the top ten stocks accounting for approximately 35% of the portfolio's assets.

Fehim has set himself a lower limit of €500million market capitalisation to ensure liquidity in the portfolio.



This communication is not directed at, and must not be acted upon by persons inside the United States and is otherwise only directed at persons residing in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required. Assets and resources as at 31.12.07 are those of Fidelity International Limited. Data is unaudited. Fidelity/Fidelity International means Fidelity International Limited (FIL), established in Bermuda, and its subsidiary companies. Fidelity, Fidelity International and Pyramid Logo are trademarks of Fidelity International Limited. Unless otherwise stated, all views are those of the Fidelity organisation. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. The research and analysis used in this documentation is gathered by Fidelity for its use as an investment manager and may have already been acted upon for its own purposes. Fidelity only offers information on its own products and services and does not provide investment advice based on individual circumstances. Foreign exchange transactions may be effected on an arms length basis by or through Fidelity companies from which a benefit may be derived by such companies. Fidelity Funds is an open-ended investment company established in Luxembourg with different classes of shares. We recommend that you obtain detailed information before taking any investment decision. Investments should be made on the basis of the current prospectus, which is available along with the current annual and semi-annual reports free of charge from our distributors, from our European Service Centre in Luxembourg and from your financial advisor or from the branch of your bank in the Nordic countries. In Portugal, Fidelity Funds is registered with the CMVM and the legal documents can be obtained from locally authorised distributors. Fidelity Funds is recognised under section 264 of the Financial Services and Markets Act 2000. Investors should note that loss caused by such recognised funds will not be covered by the provisions of the Financial Services Compensation Scheme (or by any similar scheme in Luxembourg) if the fund is unable to meet its obligations, however claims for loss in regards to such recognised funds against a FSA authorised firm such as Fidelity will be. The Full Prospectus and Simplified Prospectus for this are available from Fidelity on request by calling 0800 41 41 61. The UK distributor of Fidelity Funds is Fidelity Investments International. In the Netherlands, the legal documents are available from Fidelity Investments International, Netherlands Branch, World Trade Center, Tower H, 6th Floor, Zuidplein 52, 1077 XV Amsterdam (tel. 0031 20 79 77 100). Fidelity Funds is authorised to offer participation rights in The Netherlands pursuant to article 17 of the Act on the Supervision of Investment Institutions. Issued by Fidelity Investments International (registered in England and Wales), authorised and regulated in the UK by the Financial Services Authority. EMF801/24503/xx/C016716