

## 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 portfolio for Canadian investors</b>
2005 – 2006	<b>Assistant Manager, FF European Growth Fund</b>
2003 – 2006	<b>Portfolio Manager, a Consumer portfolio</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.



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