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Fidelity Asian Values (FAS)

Kepler GROWTH 2026

FAS' focus on valuations has led to highly differentiated positioning.

Update
21 January 2026

Overview

Managers Nitin Bajaj and Ajinkya Dhavale note the **Portfolio** of Fidelity Asian Values (FAS) is currently at its most extreme positioning in terms of valuation and quality versus its benchmark in their tenure. This is largely a result of their highly disciplined, bottom-up approach, which the managers simplify as looking for good businesses, run by good people and at a price that offers a margin of safety amongst their universe of Asian smaller companies. Recently, this approach has identified a broad range of opportunities within the Indonesian market, which has derated due to broader macro issues, leading to several mis-priced opportunities. By contrast, the rally in the wider region, driven in part by technology, has led to the managers rotating out of several holdings, notably in China, into better value ideas.

The broad rally in the region has been beneficial to absolute **Performance** though, with the managers also outperforming in this environment thanks to their strong stock selection. The underweight in India has also contributed, as well as the sizeable allocation to Chinese stocks. However, as a result of the strong market performance, the managers note valuations are elevated and have taken their short exposure to near its upper limit with the aim of generating alpha should these see a pullback (see **Gearing**).

The focus on cash generation when selecting stocks, as well as tweaks to the charging structure, have contributed to an increase in distributable revenue, enabling a sizeable increase in the **Dividend**. The trust now yields c. 3.4%, considerably more than the index, which is supported by sizeable revenue reserves.

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Analyst's View

In our view, the contrasting performance of Asia's two key economies, China and India, over the past c. 18 months has provided the ideal backdrop for demonstrating the benefits of FAS's approach. The managers' strict valuation discipline led to an underweight in India and overweight in China ahead of their pullback and rally, respectively, around September 2024. This has contributed to a strong period of **Performance** in both relative and absolute terms as the broader market has also rallied, whilst also generating considerable alpha as a result of the contrarian positioning.

With this in mind, the recent **Portfolio** changes are likely to further differentiate the trust versus comparators. The additions to Indonesia, a country arguably overlooked by many investors, mean the portfolio looks very different to both the benchmark and peers, offering the potential for future alpha. Nitin and Ajinkya note the country has many of the strong underlying fundamentals that supported India's initial rally, as well as the valuation issues of China prior to September 2024, which makes for a compelling narrative in our view.

Further adding to the alpha potential is the higher level of short positions in the trust, relative to its history (see **Gearing**). We understand these are predominantly focussed on technology-led firms where fundamentals do not support their premium valuations, meaning that the trust has the potential to deliver strong relative performance should the sector see a pullback, putting it in stark contrast to many other investors in the space.

For all these reasons, we believe FAS could provide investors considerable diversification potential as part of a wider portfolio, as well as generating significantly differentiated returns.

BULL
Highly disciplined approach has led to strong returns over multiple time periods
Portfolio offers considerable differentiation from peers and index
Strong underlying cash generation has contributed to a high and well-covered dividend

BEAR
High short exposure could be a drag in a rising market
Sizeable allocation differences can lead to periods of relative underperformance
High allocation to large companies has diluted small-cap exposure

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Portfolio

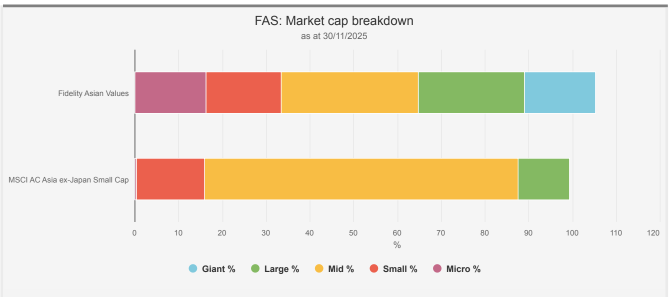
Nitin Bajaj and Ajinkya Dhavale, the managers of Fidelity Asian Values (FAS), have a straightforward mantra for identifying potential investments from their universe of small- and mid-sized Asian equities: buy good businesses, run by good people and at a good price.

To support this, Nitin and Ajinkya have considerable flexibility in what they can invest in with a benchmark-agnostic approach. This means they focus purely on stocks from the bottom up, looking at an individual company's characteristics and fundamental performance, rather than trying to follow broader market trends. Factors they look for include companies with understandable business models, supported by strong cash generation, and that are run by a trustworthy management teams that respect minority shareholders. Crucially, they will need to be trading at a valuation that provides a margin of safety for Nitin and Ajinkya.

Whilst the managers primarily focus on smaller companies as they offer more price inefficiencies, they are not confined to it, especially if they identify unique positions elsewhere. One example is TSMC, one of the largest companies in the region and an off-benchmark position. The managers believe the firm provides unique exposure as a 'toll road' of technology, which they acknowledge is going to be an ever-growing part of our lives. By investing in TSMC, they can get exposure to a leader in a growing industry, with a highly defensible position and trading at an attractive valuation, without having to identify a technological winner. Furthermore, investing a portion of the trust in large caps helps the trust's liquidity profile, although this is not the reason for buying the firm, which has even been added to in the past year.

We note the managers also have a considerably higher weighting in small and micro caps, meaning FAS offers exposure to a broader range of the market-cap spectrum versus the index, which we believe demonstrates the managers' flexibility.

Fig.1: Market-Cap Breakdown



Source: Morningstar

Nitin and Ajinkya's strong focus on valuations means the portfolio often has a value style tilt, although holdings such as TSMC show the managers are not simply deep-value managers, instead identifying companies with a margin of safety in their valuations. As a result of the broader rally in the past c. 18 months, Nitin and Ajinkya note that the index is trading at some of the highest aggregate valuations in over a decade on a price/earnings (PE) basis, at over 18x. However, despite FAS generally outperforming over this period, the portfolio is currently at a c. 40% widest discount to the market, with an average PE of 10.6x. This has not come at the expense of quality either, with FAS demonstrating an average return on equity (ROE) of c. 16%, versus the index average of c. 13%. Nitin notes these figures offer the widest dispersion of the portfolio versus the index in his tenure.

One factor that has contributed to this has been the recent additions in Indonesia. Whilst allocations are not a result of top-down factors, the managers note the country has favourable demographics and a pragmatic debt profile, although it has faced several geopolitical headwinds, leading to a broad market derating. As such, Nitin and Ajinkya have identified numerous companies generating high cash levels and trading at valuations that offer considerable margin of safety. Investments include a number of banks and a broad range of consumer-focussed stocks, such as tile manufacturer Arwana Citramulia and noodle company Indofood Sukses. Using the latter as an example, the managers note the firm has compounded earnings for ten years and continues to have a dominant market share in multiple countries. However, as a result of weak sentiment towards the wider economy, the stock has derated to a single figure PE valuation. The recent additions to cash generative Indonesian firms have contributed to an increase in the portfolio's aggregate ROE and a decrease in the aggregate PE, as well as moving the country to near its upper limit of 20%, a considerable overweight allocation.

Elsewhere, the managers have been rotating their exposure within China in order to move into better value areas. They describe China as a two-speed market, with tech-related holdings having rallied considerably, and as a result of this momentum, now trading at more expensive valuations, whilst areas exposed to domestic consumption, such as sportswear and dairy, are more reasonably valued. This consumer exposure is where Nitin and Ajinkya have been allocating to, looking to identify individual companies that are exhibiting growth within their sectors, and crucially, that are run by dependable management teams. Despite these additions, the China allocation as a whole has come down as the managers have exercised valuation discipline and sold a number of stocks that have rallied strongly, although the country remains considerably overweight.

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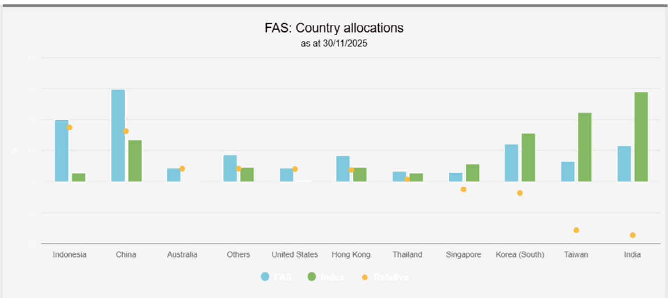
Korea and Taiwan are other countries that have rallied in the past year, although both remain underweight allocations versus the index. The rally has been primarily driven by each country's large technology sectors, which have been driven by the AI-trade. Nitin and Ajinkya believe there is little margin of safety in the valuations of many firms in this space, although they have continued to find pockets of value in both countries.

The largest underweight market, though, is India, which, whilst the managers note, has many high-quality companies that trade at very high valuations. Whilst these have come down in the past year as the country has struggled (see Performance), Nitin and Ajinkya have not found many compelling opportunities as yet, leading to the country being the largest underweight allocation.

Fig.2: Country Allocations

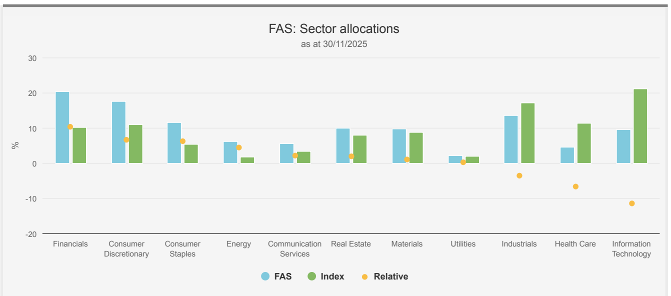


Source: Fidelity

One notable country position is Australia. Whilst not in the trust's formal benchmark, it is a regular allocation, often as a way of getting exposure to gold miners, which typically make up a small percentage of the portfolio. This was initially taken as a contrarian position when gold was $1,700 an ounce, and has performed well since having grown alongside the gold price, although the acquisition of De Grey Mining by Northern Star Resources in the first half of 2025 has reduced this somewhat.

On a similar theme, the managers currently have c. 3% of the trust in copper exposure. This is held to capture the benefits of the electrification trade, for which copper is critical, and also has strong supply and demand dynamics. As a result, the basic materials sector is a modest overweight.

Fig.3: Sector Allocations



Source: Fidelity

Conversely, the largest underweight is technology. This is primarily a result of valuations, as mentioned previously, and has been elevated by an increase in short positions that the managers have taken out on several companies, as we discuss in the **Gearing section**.

Gearing

Rather than use traditional borrowing facilities, Nitin and Ajinkya use financial instruments such as derivatives in order to take more exposure to selected holdings than the amount invested, hence acting as gearing, albeit with more flexibility and at a lower overall cost. Furthermore, contracts for difference (CFDs), the primary derivative employed by the managers, can also be used to take short positions in stocks. This enables the trust to profit from a fall in a company's share price, therefore potentially generating additional alpha for the trust, including in falling markets.

The managers have increased their short exposure over the past year. For much of the past five years, the level of short exposure has traded at levels of between 2% and 5%; however, this has increased notably in the second half of 2025, to its current level of c. 10%, which is the current upper limit of the trust's range. This is primarily focussed on technology companies, which have rallied strongly in the period and which the managers believe are trading at elevated valuations. As a demonstration of this, they highlight average PE ratios of their shorts at 24x, with a return on equity of 13%, in contrast to the average of their long positions, which are at a PE of 10.9x and ROE figures of 16%.

As of 30/11/2025, the trust had a net market exposure of 110.8%, which is an increase from the 103.4% at the financial year end on 31/07/2025, and from the 108% as of 31/03/2025. The level of net gearing will vary depending on the number of opportunities the managers have identified and valuations.

Performance

FAS has delivered strong performance over the long term in both absolute and relative terms. Over five years, the trust has returned a NAV total return of 62.8%, considerably ahead of the 49.9% total return of the MSCI AC Asia ex Japan Small Cap Index, the trust's formal benchmark, as well as beating the average of the trust's three-strong peer group, which was 57.4% (all to 02/01/2026). On top of this, FAS's share price has returned 68.9% in the same period, aided by the recent narrowing of the **Discount**.

Nitin and Ajinkya are predominantly focussed on these long-term returns, acknowledging their contrarian approach will lead to periods where they perform

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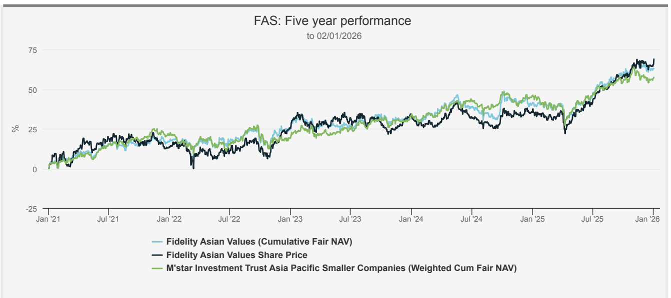
very differently from comparators due to the trust's differentiated positioning. As such, they ascribe little weight to short-term performance, instead simply focussing on individual company valuations of both their own holdings and of potential additions. This sentiment is not simply a result of a challenging period; FAS has continued to outperform most comparators over the past year, and we believe the analysis of this helps to provide investors with greater context for what they can expect over the longer term.

Fig.4: Five-Year Performance



Source: Morningstar

Past performance is not a reliable indicator of future results.

Over the past year, performance has been affected by two key allocations: China, where the managers identified a number of quality companies at compelling valuations, and India, which is an underweight due to the high number of companies trading at valuations with little margin of safety.

China has rallied significantly in the past year, following the announcement of several government stimulus measures, which have restored investor confidence. The trust's overweight allocation contributed 6% to relative returns in the year to 31/10/2025, although this was somewhat offset by stock selection, due to the market being led by a narrow band of stocks which the managers had little allocation to. These are predominantly tech companies exposed to AI, which the managers believe are being driven by hype and not supported by fundamentals. Rather than chase this performance, we understand the managers are looking at these stocks as ideas for their short book (see **Gearing**). As we discuss in the **Portfolio**, the managers are rotating out of their better performers in China and reallocating to other companies in the region at better valuations, as well as to opportunities in other countries.

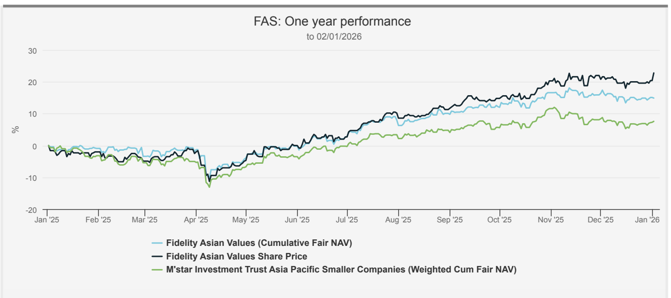
The low allocation to India has also been beneficial. Whilst Nitin and Ajinkya acknowledge there are many quality companies in the country, they have identified very few at valuations which offer a margin of safety. This position was beneficial for relative returns after the country's multi-year bull run came to an end in September 2024, following several high-profile companies missing earnings targets, as well as broader macro issues.

Outside of these country-driven factors, performance has generally been impacted by the managers' stock selection. On the positive side, there was the off-benchmark position in TSMC. As a result of the stocks' rally in the year to 31/10/2025, driven by its exposure to the AI-trade, the holding added 178bps of alpha to FAS, making it the largest positive contributor. Elsewhere, the managers' exposure to gold has aided performance. This includes holdings in some miners plus a jewellery firm, which were purchased when the commodity was out of favour. These stocks have rallied considerably as the gold price has risen, with jewellery firm Chow Sang Sang contributing 126bps and De Grey Mining adding 74bps after being taken over in the first half of 2025.

Stock selection detractors have predominantly come from holdings in Indonesia. The country has struggled as a result of a number of wider macro-factors, leading to four of the five biggest detractors in the year to 31/10/2025 being Indonesian companies. The managers note the market weakness is reminiscent of China two years ago, and believe the compelling valuations will soon be recognised by investors, potentially leading to a strong recovery, hence the country being the largest **Portfolio** overweight.

Whilst performance is ahead of the index over the past year, the managers note that the portfolio has generally faced a style headwind when the market is being driven by momentum, as typified by the fate of their Chinese holdings. In short, expensive companies have gotten more expensive. As a result, the managers are more circumspect over market returns going forward, whilst they don't take macro views, they believe that the wider market is unlikely to provide too much support to performance going forward, and that generating future outperformance will come from their active management approach, in line with their process that focusses on investing in firms where there is a margin of safety in the valuations, as well as from the alpha generation potential of the high number of short positions.

Fig.4: One-Year Performance



Source: Morningstar

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Dividend

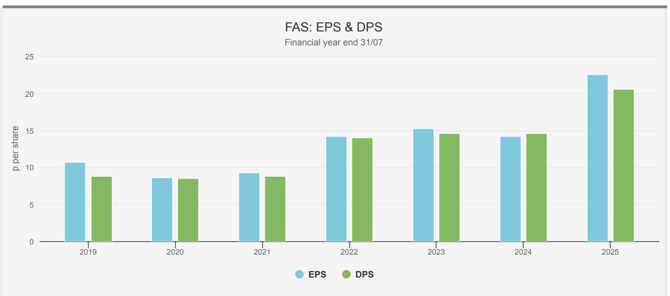
FAS has a strong long-term dividend growth track record. Since Nitin took over **Management** of the trust, the nominal dividend has increased by over 20x, rising from 1p per share in the 2012 financial year to the latest annual dividend of 20.5p per share in the 2025 financial year (to 31/07/2025). This itself was a c. 35% rise on the amount the year prior and offers a historic yield of c. 3.4% (as of 06/01/2026) for the trust, which compares to c. 2.3% for the trust's benchmark (as of 31/12/2025).

Whilst this growth is impressive, portfolio dividend income continues to be an output rather than an aim of the investment process, and accordingly, the level of future dividends may vary. However, the managers' focus on company profitability, typified by those generating good revenues at sustainable margins, and not in chasing market trends, means their holdings are typically good dividend payers. Furthermore, Nitin and Ajinkya see the payment of a dividend as a sign of good management discipline; therefore, in keeping with their core investment philosophy (see **Portfolio**).

The outcome of this approach often results in high revenue generation by the portfolio, which in the past year was 22.51p per share, up from 14.2p in the year prior. One notable contributing factor to this increase was the change in how **Charges** are attributed. Having previously been attributed all to revenue, this changed to 75% to capital and 25% to revenue in the latest financial year. As such, whilst the increase in distributable revenue in the past year is positive, we would caution that such a rate of growth is unlikely to persist.

Due to the higher revenues, reserves increased notably in the past year and now stand at c. 2x the year's dividend amount. As such, we believe the dividend can be treated by investors as an important additional perk of the trust, albeit with the caveat that it is not the managers' primary focus.

Fig.5: EPS & DPS



Source: Fidelity

Management

Nitin Bajaj is the portfolio manager of FAS, having taken over management in April 2015. Nitin has been at Fidelity since 2003, where he started out in the London office as a research analyst before becoming assistant portfolio manager for the Fidelity Global Special Situations fund, one of the most well-known open-ended funds in the UK. In 2009, he moved to Mumbai to take over management of Fidelity's domestic Indian equity funds, before moving to Singapore in 2013 to assume management of FAS, as well as the open-ended version, Fidelity Asian Smaller Companies. Nitin is a chartered accountant, as well as a holder of a Bachelor of Commerce degree from the University of Delhi and an MBA from INSEAD.

He is joined on the trust by co-portfolio manager Ajinkya Dhavale, who is also based in Singapore. Ajinkya has been working on the trust since June 2020 and was promoted to co-manager in February 2024. Prior to this, he was an analyst covering small-cap equities, with a particular focus on Korea and Taiwan, as well as the technology sector. Ajinkya is a chartered accountant as well as a CFA charterholder and holds a Bachelor of Commerce degree from the University of Pune.

The managers have access to the wider Fidelity research teams across Asia, including offices in Hong Kong, Shanghai, and Singapore. This is one of the largest on-the-ground research teams in the sector and includes specialist teams for IPOs and shorting, of which Nitin is one of the analysts. Despite this wide shared resource, each portfolio manager is allowed to undertake their own investment style. Nitin has a bias towards value investing, although he still has a strong focus on quality.

Discount

FAS's discount to NAV has narrowed notably over the past 18 months, to its current level of c. 3%. As a result, the trust has the narrowest discount amongst the three-strong AIC Asia Pacific Smaller Companies sector.

This narrowing began shortly after China announced a range of stimulus measures in September 2024, therefore reversing the negative sentiment that had affected the country and the wider region and led to a rerating for many trusts invested there. This can be seen in the narrowing discount of the direct peer group in the chart below.

This also shows how FAS has regularly traded at a premium to its peers, on average, 4.2 percentage points narrower over the past five years. However, since the third quarter of 2025, the peer group average discount has levelled out, whilst FAS has continued to narrow, with the trust trading between five and seven percentage points narrower in this

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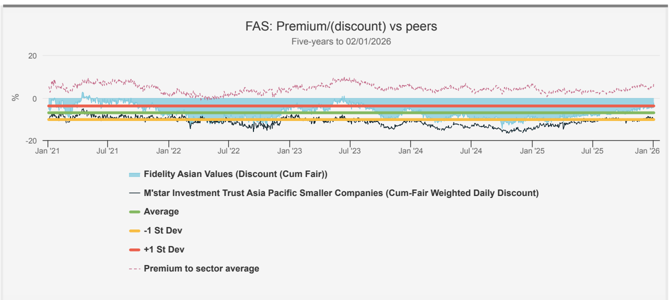
period, as shown in the dashed purple line below. As such, we believe the current narrow discount is a result of both an improved outlook for the region as a whole, as well as investors recognising the stronger near-term performance of FAS.

Fig.6: Discount



Source: Morningstar

The board has regularly used share buybacks to help narrow the discount as well as to provide liquidity for shareholders. In the latest financial year to 31/07/2025, the board bought back c. 6.3% of the opening share count, which we understand was the biggest year of buybacks in the trust's history. Since this point, a further 3.5m shares, or 4.6%, have been bought back, with the most recent being on 29/12/2025.

Charges

We believe FAS's charging structure is a standout feature, in that it reduces the charge to shareholders should the trust fail to outperform its benchmark. This variable fee has two elements to it; there is a fixed charge of 0.7%, based on net assets, with a variable amount of 0.2% to be added or deducted, depending on NAV performance relative to the trust's formal benchmark. This is calculated daily and based on three-year rolling performance. For each percentage of outperformance, 0.033% is added to the management fee, to a maximum of 0.2%, akin to a performance fee, although should the trust underperform, this amount can be deducted from the fee. As of 30/11/2025, the latest adjustment was for 0.18% to be deducted from the charge.

The latest OCF, which incorporates the management fee, is 0.95% (as of 31/07/2025), which compares to OCFs of 0.91% and 0.99% for FAS's two direct peers. We note that these charges are in the NAV and are not deducted from the share price.

ESG

The consideration of environmental, social, and governance (ESG) risks is integrated into the stock analysis across the Fidelity business. They are considered alongside the fundamental analysis performed on each company by the analyst within each investment team and given a proprietary score called the Fidelity Proprietary Sustainability Rating, which has been in place since 2019. This incorporates factors from 99 individual and unique subsectors.

Nitin has a firm view that good management teams are characterised by their all-round approach to sustainability as part of their DNA. Whilst all factors are considered, governance is paramount. They believe that the quality and conviction of management teams are vital to the investment case, and this analysis has been part of the process for a considerable time.

Morningstar have scored the trust just one out of five globes on their sustainability rating, although we note that only c. 79% of the portfolio is covered by their analysis, meaning a notable percentage will be given no score.

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