Fidelity Special Values (FSV)

FSV has delivered strong outperformance over the long and short term.

Update
08 April 2026

Overview

Fidelity Special Values (FSV) has been the best-performing trust in the AIC UK All Companies sector over the past 12 months (to 31/03/2026), with managers Alex Wright and Jonathan Winton focussing on undervalued and overlooked companies with the potential to turn their fortunes around. In fact, it has been a strong period for UK equities, which have outperformed their global and US peers. While FSV's NAV return was in line with the market, its long-term track record remains robust, with the trust having outperformed the FTSE All-Share Index over the past five years.

Following their strong **Performance**, UK large-caps have re-rated to valuations close to their long-term averages. As a result, Alex and Jonathan have marginally increased allocations to small- and mid-caps (SMIDs), which still trade at a discount to their large-cap peers and to their own long-term average valuations. At the sector level, they have added to their exposure to GDP-sensitive stocks, one of the four 'supersectors' they use to analyse **Portfolio** exposure – across a variety of areas including staffing companies, consumer-related sectors, and housing and construction. Many of these businesses combine attractive stock-specific opportunities with depressed industry volumes, offering multiple catalysts to support a turnaround. Reciprocally, they have trimmed their exposure to defensive companies such as tobacco and defence-related holdings, as they have returned to favour with investors.

Over the past 12 months, FSV's **Discount** has narrowed from 6.1% to 1.7%, with the board having issued shares in February, as the trust had been trading at a sustained premium since the end of 2025. In addition, the trust boasts a 16-year track record of annual **Dividend** increase and currently offers a historic yield of c. 2.5%.

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Analyst's View

We think FSV's long-term outperformance of the FTSE All-Share Index is testament to the effectiveness of its contrarian strategy. Indeed, since Alex's appointment as manager in 2012, the trust has generated returns almost twice as high as its benchmark. We also find it particularly impressive that FSV has outperformed all its peers in the AIC UK All Companies sector over the past five years, in addition to the FTSE All-Share Index. It's also been less volatile, experiencing smaller drawdowns, which we would attribute to the managers' focus on downside risk when analysing stocks.

While UK equities have performed well in 2025, we note that they remain out of favour, as outflows have continued. As such, we believe they should remain fertile ground for contrarian managers such as Alex and Jonathan, as lower investor interest and reduced scrutiny from analysts could result in mispriced opportunities for skilled managers to exploit. In addition, we see the current metrics of FSV's portfolio as appealing, with the trust offering higher growth potential than its benchmark, while trading on more attractive valuations and being less leveraged, although it scores slightly lower on quality criteria.

That said, it is worth noting that the outbreak of war in the Middle East has added to market uncertainty and complexity. However, Alex and Jonathan believe that an environment marked by higher uncertainty could ultimately play in their favour. As companies get indiscriminately punished following upheavals, this creates opportunities for them to build positions in underappreciated companies at attractive valuations.

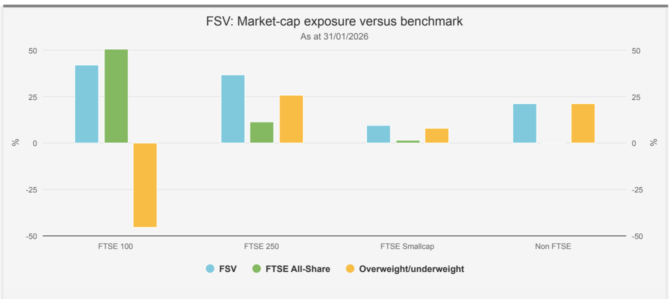
BULL
Strong long-term performance track record
UK equities continue to offer opportunities for contrarian investors
Portfolio offers more attractive valuations, higher growth prospects, and less leverage than the benchmark

BEAR
Could lag the benchmark and sector peers in growth-driven market environments
Conflict in the Middle East could impact UK inflation, interest rates, and growth expectations
Higher charges than its average sector peer, although FSV's OCF is at the sector's median

Portfolio

Fidelity Special Values (FSV) applies a contrarian approach to the UK equity market, focussing on undervalued and overlooked companies. Managers Alex Wright and Jonathan Winton select stocks using a bottom-up approach, ensuring there are clear catalysts that could drive positive changes, and conducting downside analysis that considers earnings, financial and valuation risks. Positions are sized according to conviction, upside-downside potential, franchise and balance sheet strength along with share liquidity. Alex and Jonathan also have the flexibility to invest across the market-capitalisation spectrum and up to 20% in companies listed outside the UK (as the bar chart below shows), giving them access to a broad opportunity set. This approach results in a portfolio that differs markedly from its benchmark, the FTSE All-Share Index, with an active share typically exceeding 80%.

Fig.1: Market-Cap Exposure



Source: Fidelity International

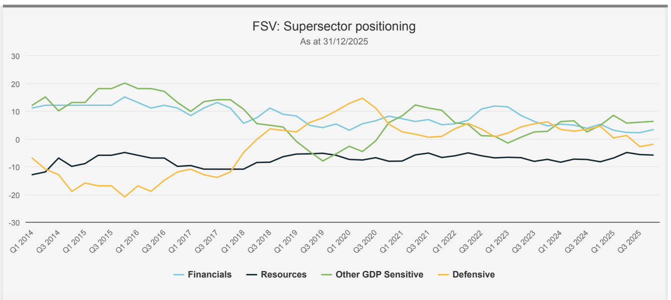
Holdings typically go through three stages: the first is when change begins to take place; the second is when the market starts to recognise that change; and the final stage is when the change is fully priced in, at which point Alex and Jonathan trim or sell the stock. Reflecting this contrarian approach, annual turnover is typically high, ranging between 20% and 50%. Rolls-Royce is an example of a stock that went through all three stages in recent years. The position was initiated in the trust's FY 2023 when Rolls-Royce was still out of favour with investors, following low engine flying hours during the pandemic as air travel plummeted, which hit the company's service revenues. In addition, Rolls-Royce had previously suffered from capital misallocation. However, since the appointment of Tufan Erginbilgiç as CEO in January 2023, the company has turned its fortunes around, with a transformation plan implemented to return to profitability. In addition, the increase in global air traffic following the post-Covid reopening of economies has supported the civil aerospace business, while heightened geopolitical tensions since 2022 have provided a tailwind for Rolls-Royce's defence business. As a result of the stock's recovery, Alex and Jonathan fully exited their position in Q4 2025 following strong execution in its civil aerospace business, which led to more demanding valuation levels.

Alex and Jonathan also divide the portfolio into four 'supersectors' - financials, defensive, resources, and other GDP-sensitive – to help analyse where they are taking exposure. Financials – which includes banks and insurers, among others – is currently the largest supersector by absolute weight. Alex and Jonathan maintain diversified exposure to the banking sector through names such as Standard Chartered, which has a strong presence in emerging markets; Lloyds Banking Group, which is focussed on domestic lending; and AIB, an Irish bank. Within insurers, Alex and Jonathan exited Phoenix Group following a period of strong performance. Takeover activity has also contributed to the reduced weighting in financials. That includes, for example, Aviva's acquisition of Direct Line Group in July 2025. As discussed in **our previous note**, FSV's holdings are regularly subject to M&A activity, providing an alternative route to generate alpha, although Alex and Jonathan do not invest in a company with the expectation of takeover bids. The weight of the defensive supersector has also declined in 2025, as the managers took profits from consumer goods company Reckitt Benckiser, tobacco companies Imperial Brands and British American Tobacco, regulated grid operator National Grid and defence-related businesses Babcock and Serco. In contrast, they added to the DCC position. The company has shifted focus towards its core energy business with the disposal of its healthcare business last year and planned sale of its technology division. While the market has been cautious around the restructuring and the challenges of navigating the energy transition, they believe these concerns are overdone and the company is focussing on its higher return business.

Reciprocally, Alex and Jonathan have added to the 'other GDP-sensitive' supersector, across a variety of areas including staffing companies, consumer-related sectors, as well as housing and construction. Many of these businesses combine attractive stock-specific opportunities with depressed industry volumes, offering multiple catalysts to support a turnaround. While Alex and Jonathan were seeing signs of a favourable economic inflection for these names, the outbreak of the conflict had added complexity and near-term uncertainty, given its potential impact on oil prices, inflation, interest rates, growth expectations, and broader risk sentiment. We understand that Alex and Jonathan have been engaging with their investee companies to assess how the conflict is affecting them and the resilience of their balance sheets, supported by Fidelity's extensive analyst network.

While FSV is still underweight the resources supersector, Alex and Jonathan have increased exposure to mining businesses over the past 12 months, driven by their constructive outlook on copper, a critical metal for electric vehicles, renewable energy, and data centres, among others. They hold Glencore, highlighting that it offers exposure to an attractive commodity mix, but are underweight large-cap miners, as they are cautious on iron ore. They also hold Kazatomprom, the world's largest uranium producer, which benefits from its low-cost position and favourable supply and demand dynamics. Conversely, exposure to oil has fallen over the past year, reflecting their cautious medium-term outlook and sector valuations. That said, their largest non-UK holding is French oil company TotalEnergies, introduced into the portfolio in late 2024 when the company's share price was affected by political turmoil in France.

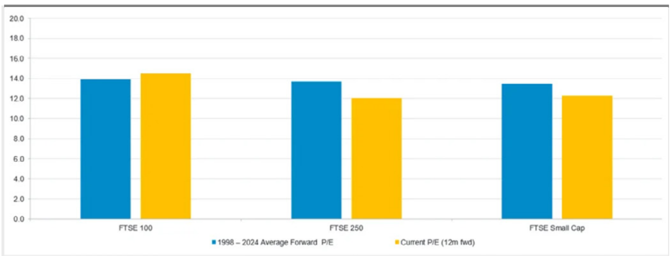
Fig.2: Supersector Positioning



Source: Fidelity International

At the market capitalisation level, Alex and Jonathan have marginally increased their exposure to mid- and small-cap (SMID) companies. This is because large-cap stocks have performed strongly in 2025, leading the FTSE 100 Index to re-rate towards its long-term valuation averages, as the bar chart below shows. Meanwhile, UK SMIDs continue to trade below their long-term averages and at a discount to their large-cap peers. In our view, this could represent an opportunity for long-term investors, as SMIDs should command higher multiples than large-caps, reflecting their stronger growth potential.

Fig.3: 12-Month Forward P/E



Source: Fidelity International, LSEG as at 31/01/2026

Following these changes in the portfolio, FSV is trading on lower current and forward valuations – as measured by P/E and P/B ratios – than the FTSE All-Share Index, reflecting the contrarian nature of the strategy. The trust is also expected to deliver stronger sales and operating profit growth than its benchmark over the next two years, while carrying less leverage. However, FSV scores slightly below the FTSE All-Share Index on quality metrics, notably with lower current and forward return on equity. In summary, FSV offers more attractive valuations, stronger growth potential, and lower debt than its benchmark, albeit with marginally lower exposure to the quality factor.

Gearing

FSV uses derivatives – such as contracts for difference (CFDs) – to gear the portfolio rather than traditional borrowing facilities. Alex and Jonathan use these to gear specific positions in the fund rather than the whole portfolio on a pro-rata basis. On a net basis, FSV's gearing fell to 3.4% at the end of October 2025, reflecting the elevated level of M&A last year, which generated significant cash inflows back into the portfolio. Since then,

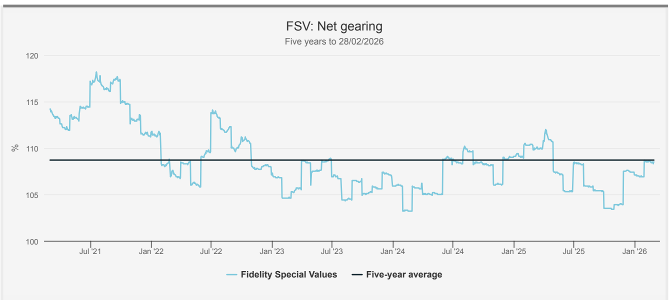
Portfolio Metrics

	FIDELITY SPECIAL VALUES			FTSE ALL-SHARE		
	2025	**2026**	**2027**	**2025**	**2026**	**2027**
Growth						
Sales growth (%)	-0.5	5.1	3.4	-0.1	2.2	3
Operating profit growth (%)	-0.5	13.9	9.9	0.6	7.2	5.4
Valuation						
P/E underlying (x)	12.9	10.9	9.7	15.1	13.9	12.9
Price/book (x)	1.5	1.5	1.4	2.3	2.2	2.1
Returns						
ROE (%)	12.2	13.4	14.7	15.4	16	16.5
ROIC (%)	10.7	11.6	12.6	11.3	11.9	12.6
Leverage						
Net debt/EBITDA	1.5	1.4	1.3	1.7	1.7	1.5

Source: Fidelity, as at 07/02/2026
Past performance is not a reliable indicator of future results

gearing has increased to 8.5% as at 28/02/2026, as Alex and Jonathan have redeployed this cash, notably into opportunities in the small- and mid-cap space. As a result, the trust's gearing is now in line with its five-year average of 8.7%.

Fig.4: Gearing



Source: Morningstar

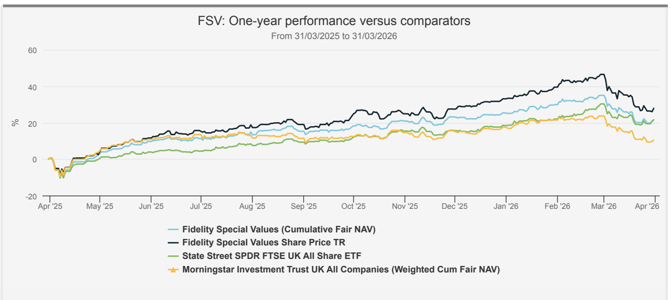
Performance

FSV has been the best-performing constituent in the AIC UK All Companies sector over the past 12 months (to 31/03/2026), delivering NAV and share price total returns (TRs) of 21.6% and 27.9%, respectively. This compares with a simple average return of 11.5% for the sector. FSV has also kept up with its benchmark, the FTSE All-Share Index, which returned 21.5%, over the same period. We note that it has been a strong period for UK equities, which have outperformed both global and US equities. For instance, the FTSE All-World Index returned 17.5%, while the S&P 500 returned 14.9%.

FSV's returns were supported by strong performance from its bank holdings, including Standard Chartered and AIB Group. As a result, Alex and Jonathan have trimmed some of their positions in bank stocks, although they maintain exposure to this industry. Defence-related names such as Babcock International and Serco Group also contributed to relative returns, having benefitted from heightened geopolitical tensions and increased UK defence spending. However, **as discussed in our previous note**, Alex and Jonathan have reduced their exposure to defence stocks, as they think they have returned to favour, which is now reflected in higher valuations. Furthermore, not holding certain highly valued, high-quality stocks such as RELX and London Stock Exchange Group also contributed positively to FSV's relative performance, as the quality factor has been out of favour over the period under review.

Conversely, not holding HSBC and BAE Systems had a negative impact on relative returns. HSBC has been trading on elevated multiples compared with most other UK-listed banks, while BAE Systems, as one of the most direct plays on the defence theme, has also been highly valued. An underweight position in Rolls-Royce also weighed on relative returns. Alex and Jonathan had previously held a more significant position in this stock but trimmed it early, recognising that the recovery had been stronger than initially assessed. The stock was fully exited in Q4 2025. Some overweight positions also detracted from relative returns. That includes DCC, a distributor of thermal products, which saw a year-on-year decline in operating profit over the first half of its FY 2026. Nonetheless, Alex and Jonathan remain confident in the company's prospects, highlighting that the sales of DCC's healthcare business in September 2025 should strengthen the balance sheet and support share buybacks. They also note DCC's strong track record of disciplined capital allocation and value-accretive acquisitions. As a result, they increased their position in DCC in Q4 2025.

Fig.5: One-Year Performance

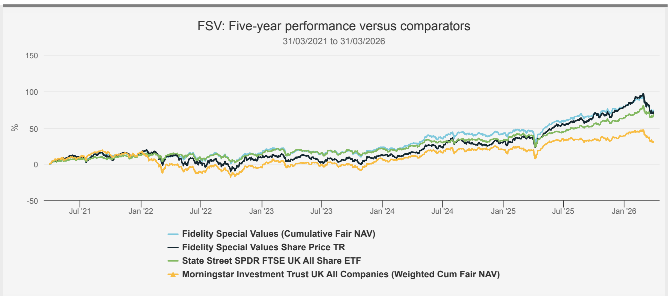


Source: Morningstar

Past performance is not a reliable indicator of future results.

It is worth noting that UK equities have also performed well over the past five years (to 31/03/2026), with the FTSE All-Share Index returning 69.3% versus 64.5% for the FTSE All-World. We believe this highlights that, despite negative sentiment, UK equities have been a good place to invest. Yet, FSV has delivered even stronger returns than its benchmark, generating NAV and share price TRs of 73.8% and 71.4%, respectively. In addition, FSV has been the best-performing constituent in the AIC UK All Companies sector over that period as well, generating almost three times the NAV TR of its average sector peer, while being

Fig.6: Five-Year Performance



Source: Morningstar

Past performance is not a reliable indicator of future results.

less volatile and experiencing smaller drawdowns, which we would attribute to the managers' downside analysis, aiming to limit risk.

The market has been volatile since the start of 2026, first experiencing a sell-off in names perceived as vulnerable to disruption by AI, and more recently affected by the outbreak of the war in the Middle East. Alex and Jonathan believe that environments characterised by higher uncertainty could work in favour of their value contrarian investment style, as the market then often indiscriminately punishes entire sectors or industries following upheavals, without clear evidence of structural impairments. This, in turn, could create opportunities for contrarian investors to build positions in underappreciated companies trading at attractive valuations. Alex and Jonathan also believe that their avoidance of highly valued companies could be rewarded in a more uncertain market conditions, as such stocks offer little margin for error and can be severely punished even due to modest shifts in the market environment.

Finally, we note that outflows from UK equity funds have continued in 2025, despite the strong performance of UK equities over both the past five years and the past 12 months. As such, we believe that UK equities remain attractive for contrarian investors, as the persistent lack of investor interest and analyst scrutiny could result in more mispriced opportunities for an active manager to unearth.

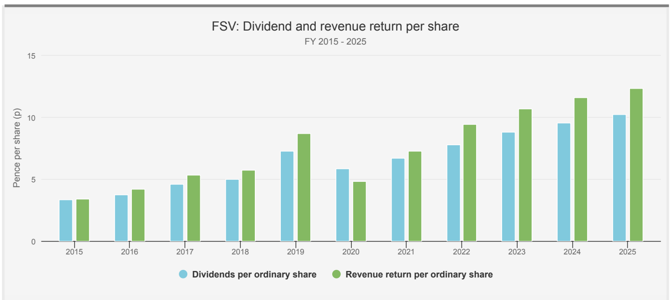
Dividend

The board recognises the importance of dividend for total returns. As such, the trust does pay a dividend, although it is worth highlighting that capital growth remains the priority.

In its FY 2025, FSV paid a dividend of 10.2p per share, representing a c. 7% year-on-year increase, and marking the trust's 16th consecutive year of dividend growth. FSV is therefore part of the AIC's next generation of Dividend Heroes, a group of investment trusts that have increased their dividends for at least ten consecutive years, but fewer than 20. The trust pays its dividend in two instalments each financial year, with the interim dividend usually paid in June and the final dividend in January. At the time of writing, the interim dividend for FY 2026 has not yet been announced, and FSV currently offers a dividend yield of c. 2.5%.

The dividend for FY 2025 was fully covered by earnings, and revenue reserves as at the end of the trust's financial year (31/10/2025) were sufficient to cover c. 1.7× the dividends paid over the previous 12 months. As such, the board should have sufficient firepower to support further dividend increases in the event of a revenue shortfall.

Fig.7: DPS & EPS



Source: Fidelity

Past performance is not a reliable indicator of future results.

Management

FSV has been managed by Alex Wright since September 2012. He has over 20 years' experience of investing in UK and European equities, having originally joined Fidelity in 2001 as a research analyst. In his time at the firm, he has rotated through a variety of sectors, including leisure, emerging European and African banks, alcoholic beverages and UK small-cap stocks. He holds a first-class economics degree from the University of Warwick. Alex also manages the open-ended Fidelity Special Situations fund, which has around £3.9bn in assets, and is largely similar in approach to FSV. Alongside Alex is co-manager Jonathan Winton. They have worked closely together since 2013 in the UK equities team, before Jonathan formally became co-manager in February 2020.

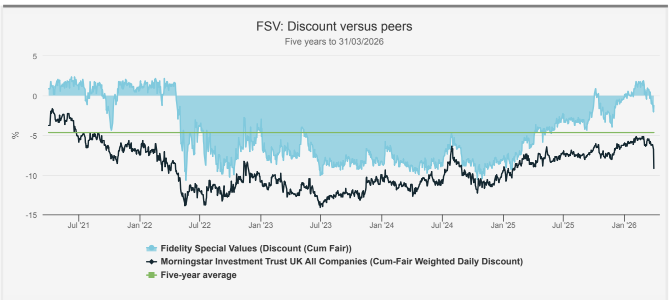
Alex and Jonathan have access to Fidelity's global equity research team, consisting of 135 equity analysts covering the US, Europe, Pan-Asia, and Emerging Markets. This team also have specialists in shorting and quant analysis, as well as a team of ESG specialists. Overall, Fidelity has over 360 investment professionals and research staff working within its global research platform, where collaboration is strong across regions. Fidelity has long-term incentive plans in place that reward analysts for successful stock picking.

Discount

FSV has traded at an average discount of c. 2.1% over the past 12 months (to 31/03/2026), with the trust trading at a very narrow discount of 1.3% at the time of writing. In our view, this reflects the trust's exceptional long- and short-term track record, having notably outperformed the FTSE All-Share over the past five years as well as in calendar years 2024 and 2025.

We believe a range of factors could continue to support demand for FSV's shares. One of these is the strong performance of UK equities in 2025, which could encourage investors to reallocate to this market, particularly if US equities continue to underperform other developed markets in 2026. In addition, FSV's contrarian strategy, combined with its liquidity – with a market capitalisation of c. £1.3bn – offers differentiated exposure to UK equities through a vehicle accessible to a broad range of investors.

Fig.8: Discount



Source: Morningstar

Charges

In its latest annual report (dated 31/08/2025), FSV reported an ongoing charges figure (OCF) of 0.68%. This compares with a simple average of 0.64% for the AIC UK All Companies sector. We note that the impact of the OCF is already in the NAV and not a cost deducted from the price paid for the shares. FSV's OCF includes a single-tier management fee of 0.6% based on net assets. However, the trust does not charge a performance fee.

ESG

There are no formal ESG restrictions for Alex and Jonathan to consider when they are constructing their portfolio, though they remain cognisant of the risks each element may bring. They do believe that the consideration of governance factors is very important though, and this has always been a key part of the approach. The process looks to identify companies that can execute a turnaround and part of this requires strong management teams that are capable of delivering on the recovery strategies.

For assessing the environmental and social factors of a firm, Alex and Jonathan analyse how a firm's business operations are exposed to government policy goals. Where a firm's activities are likely to conflict with these, the managers and their team will engage with their portfolio companies to find a solution that won't lead to friction, rather than using this as a way of excluding companies. Alex and Jonathan note that companies are unlikely to operate in a way that actively goes against regulation, but using this approach is a good guide for identifying potential risks.

Morningstar has rated FSV as two out of five globes on its sustainability rating, with 94% of the portfolio covered as of 31/12/2025.

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