Disclosure - Non-Independent Marketing Communication This is a non-independent marketing communication commissioned by Fidelity European (FEV) . The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

Fidelity European (FEV)

The £2bn core European equity trust.

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Overview

Investment objective

To achieve long-term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

Source: Morningstar

As at: 05/11/2026	Latest Market Capitalisation 1,980,640,810
Trust Name Fidelity European Trust	Latest Net Gearing (Cum Fair) 14%
Ticker FEV	Latest Ongoing Charge Ex Perf Fee 0.68%
Management Company Fidelity Investments	Shares Outstanding 478,994,150
Manager Name Sam Morse; Marcel Stötzel; Alexander Laing	(Discount)/ Premium (Cum Fair) -5.4%
Association of Investment Companies (AIC) Sector Europe	Daily Closing Price 413.50
Dividend Yield 2.4%	
Dividend Distribution Frequency Semi-Annually	

Fidelity European Trust (FEV) is the largest European equity investment trust, with net assets of over £2bn. It has a long track record of outperformance, generating an NAV total return of 150% over the last ten years (to 22/10/2026), ahead of the benchmark's 143%. More recently FEV's quality growth style has faced headwinds, with markets favouring value over growth stocks, and the trust has underperformed. However, an active approach to managing the discount using share buybacks means that it has maintained its mid-single-digit **Discount** target during this period. FEV has also delivered annualised dividend growth of 8.8% over the last five financial years and at the half-year stage for the current year delivered a similar level of growth for the interim dividend.

In November 2026 **Managers** Sam Morse and Marcel Stötzel were joined by Alexander Laing as part of the team. Alexander is an experienced analyst and fund manager at Fidelity, and his appointment marks the beginning of a transition period ahead of Sam's retirement in October 2027. There are no plans for any changes to the investment process or philosophy.

One of the distinctive features of the team's approach is their focus on company dividends. FEV is not an equity income trust, and the team are not set any revenue goals, but they view a company's ability to pay and grow a dividend as an important first step in their process. Typically, the portfolio yield is slightly lower than the market average, reflecting the team's preference for growth businesses that command a premium rating. More recently though, with value outperforming, FEV's portfolio yield is, unusually, at parity with the benchmark, which the team sees as a strong signal that the portfolio is undervalued.

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Analyst's View

There's a table in the **Portfolio section** that shows some key valuation metrics for FEV's companies compared to the benchmark index and it's a striking picture of higher growth, better return on capital businesses trading at almost the same forward P/E as the market. European stock markets are a little less 'under the radar' for UK investors than they were a couple of years ago due to strong performance but there's a small irony in the fact that this has been driven by value stocks, for which one can, simplistically at least, read 'domestic' businesses, when the longer-term case for investing in Europe is really all about the successful global businesses that often trade on lower multiples than, say, their US counterparts. Whereas European equities remain on a discount to equivalent US equities, it's perhaps even more interesting that those successful global businesses are increasingly trading in line with the wider European equity market. That situation, we think, won't last forever and a resurgence in interest in these companies could quickly reverse FEV's short-term underperformance.

Being in a slightly out-of-favour position can, of course, lead to a discount to NAV. In the **Discount section** we see how FEV has maintained a narrow, currently 5%, discount, with an active approach to buybacks. It's possible that this very mature approach to discounts might be a slight disappointment to the contrarian investor who likes to pick up shares at a discount, but we think those with a contrary mindset should be paying very close attention to that table of financial metrics as that's where we think the real discount story lies.

Bull

- A long track record of outperformance generated from a risk-averse investment strategy
- Portfolio valuation metrics give a strong signal that the portfolio is undervalued
- A long track record of inflation-beating dividend increases

Bear

- In the shorter term FEV has underperformed
- FEV's gearing can amplify losses as well as gains
- A lower starting yield than for more explicit equity income strategies

Portfolio

Fidelity European Trust (FEV) is the largest European equity investment trust, with net assets of over £2bn. It has a long track record of outperformance under managers Sam Morse and Marcel Stötzel's tenure, which has helped to establish its credentials as a 'core' European equity trust. From the beginning of November 2026, they were joined by experienced manager Alexander Laing as part of the team. This allows for a long transition period ahead of Sam's retirement in October 2027.

The transition clearly marks a change in personnel but in terms of the investment objectives and approach there will be continuity. Although the team describe their approach as risk averse, the portfolio is highly active, with 40–50 positions, and the aversion to risk describes the team's careful assessment of every holding's downside as well as upside. The team's approach to AI winners and losers, which we discuss further on, is an interesting glimpse into that thought process. Over the long term the trust has an outstanding track record and the managers' analysis shows that this comes mostly from stock selection, with sector weights risk controlled within +/- 5% of the index. The team tends to have a low turnover of about 20% a year, suggesting an average hold period of five years.

FEV's portfolio consistently shows a 'quality growth' bias, with higher earnings growth, better profit margins and return on equity, and lower debt than average. While FEV itself does not have a specific mandate to target income, a key factor the team look for is a company's ability to generate cash and grow its dividend sustainably over three to five years. The team can, though, be pragmatic and invest where there is a credible

pathway to dividend payments, rather than simply excluding companies that currently don't pay a dividend. However, because the team also targets higher earnings growth, most of the time the portfolio dividend yield is a little lower than the market average because, generally, higher earnings growth receives a higher rating by the market. More recently though, the team observes that companies with quality growth characteristics have been less favoured by the market than value names, and FEV's portfolio yield has been approximately the same as the market average for much of 2026. The table below shows a recent snapshot of some of the main financial metrics for the portfolio and the benchmark index. As expected, portfolio dividend growth is significantly higher, as are the return on equity (ROE) and return on invested capital (ROIC), whereas this premium growth is trading only slightly above the market in terms of price to earnings (P/E) and price to book (P/B). Taken together these numbers reinforce the team's view that the portfolio is undervalued.

Portfolio Characteristics

METRIC	TRUST	INDEX	COMMENT
Dividend growth (CAGR 2026-28)	14.30%	9.90%	Typically, higher dividend growth than the market
Volatility (unlevered)	16.00%	14.60%	A cautious approach should lead to volatility below the market
ROE (2027e)	19.40%	17.50%	Investing in companies with superior returns
ROIC (2027e)	18.70%	14.40%	Investing in companies with superior returns
P/E (2027e)	14.7	14.2	More expensive than the market – justified by more attractive characteristics?
P/B (2027e)	2.7	2.4	More expensive than the market – justified by more attractive characteristics?

Source: Fidelity, as at 30/09/2026

As well as the market's recent preference for value stocks, one of the most influential factors at play is the tussle between AI winners and losers. The team take the view that both sides of this debate provide opportunity and the team has been adding selected AI beneficiaries while maintaining exposure to businesses that it believes have been unfairly penalised by fears of AI disruption. However, this is not a deliberate barbell trade where equal exposure is taken to both themes and as ever, everything comes back to stock selection and fundamental conviction.

On the winning side they continue to own ASML, one of Europe's most important global technology businesses. ASML's complex technology is widely used by competing semiconductor manufacturers and so it arguably benefits from demand across the industry rather than just being exposed to a small group of customers.

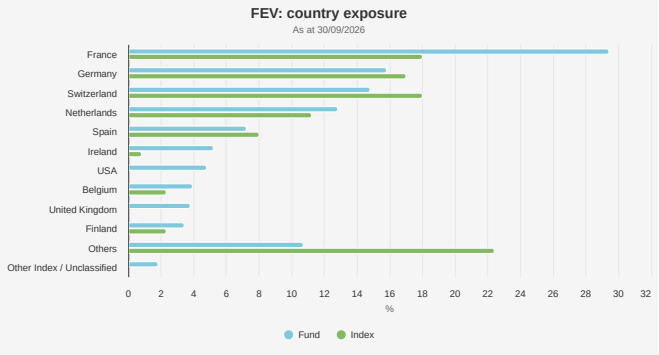
Similarly, they own companies such as Schneider Electric, Legrand and Siemens Energy. Schneider Electric supplies a variety of control systems that help make buildings, factories and datacentres more efficient to a global customer base, and has a strong presence in the US, both from organic growth and through acquisitions. If Schneider provides the control systems, software and automation then portfolio company Legrand provides the wiring infrastructure inside buildings, including datacentres and, again, has a significant presence in the US. Siemens Energy on the other hand supplies power generation and grid infrastructure and can be thought of as a more direct play on increasing energy demand. All of these are good examples of AI winners, yet often trade at lower valuations than US equivalents.

On the other side, the team think that there are opportunities amongst companies the market has deemed 'AI losers'. Amadeus IT is one example. It provides specialist software to the travel industry, connecting airlines, hotels, travel agents, airport operators and a host of ancillary services. Amadeus experienced a steep share price decline about a year ago and

the team are sceptical that its specialist software will be easily replaced by cheap AI alternatives and the business is in any case leaning into using AI to improve its own services.

Legrand and Schneider Electric, together with French energy giant TotalEnergies, are among the largest overweight stocks in the portfolio and help explain the overweight position in France shown in the geographic exposure chart below. Note that FEV's exposure is geared (currently c. 14%) so FEV's total exposure adds up to 114%. This is the manager's preferred way of showing geographic and sector exposure, but it's worth noting that this exaggerates the overweights and underweights compared to the more usual total portfolio analysis. The country exposure helps to highlight how stock picking rather than countries tends to dictate investment decisions. Whereas the team see Germany's infrastructure and defence spending plans as important factors that could form part of the catalyst for better equity market performance in Europe, they are still finding more attractive stocks in France. This is a good reminder that one of the big opportunities over the long term for investing in Europe is that many of its best companies are global. The recent market phase focused on 'value' has also been associated with more domestic European stocks, and an expectation that European economies were improving. But the longer-term story is really about the two-thirds of European company revenues that come from elsewhere, and the examples above can be considered as global companies, often with the US as their single largest market. That said, the team has also become more constructive on selected European domestic opportunities, including banks and businesses benefiting from structural changes in Europe.

COUNTRY EXPOSURE

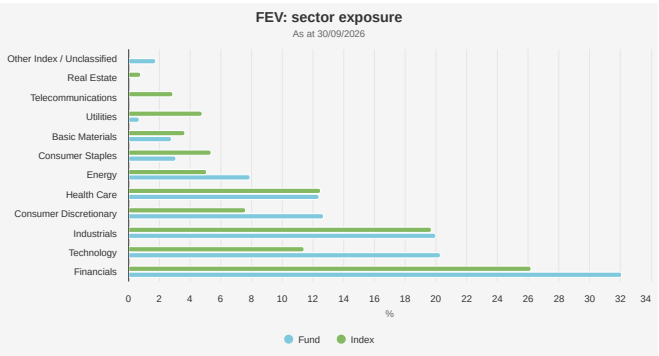


Source: Fidelity

Past performance is not a reliable indicator of future results.

One sector with positive tailwinds is banking and as the chart below shows, FEV is overweight financials in part due to its exposure to a variety of European banks such as ABN Amro, KBC Groupe, Nordea, AIB and DNB Bank. European banks have seen a distinct improvement in their quality characteristics in recent years, with regulations brought in following the 2008/09 financial crisis leading to stronger balance sheets and a period of consolidation. In recent years some of the regulatory constraints have been eased, and in addition European banks are also likely to be able to make efficiency gains using AI tools. As a result, the sector has several names with attractive quality growth characteristics.

SECTOR EXPOSURE



Source: Fidelity

Past performance is not a reliable indicator of future results.

Overall, FEV's team has a distinctive, repeatable process that has generated strong long-term returns. In the last two years

European equities have seen positive capital inflows, but these have gravitated towards 'value' stocks and the valuation metrics in the table earlier on show that superior earnings growth can now be bought for almost no premium to the market, and in many cases that means companies that are global in nature.

Gearing

FEV's net gearing is currently 14%. The gearing policy is to maintain a level of gearing in the 10–15% range. This is supported by analysis by the manager using long-term data, which shows that for FEV's investment strategy, this is the optimal level that balances risk and reward.

FEV is mainly geared using derivatives, using a mixture of index futures and CFDs, which are a well-established alternative to using debt and can offer cost and flexibility advantages. This approach also allows for an element of stock picking in the gearing of the trust, as CFDs may be written over individual stocks.

As part of the combination with Henderson European (HET) completed in 2025, FEV took on a small amount of long-term debt, which was issued at very low interest rates. The total, €35m, is obviously small in the context of FEV's net assets of more than £2bn, but the debt is very attractively priced. It comes in two tranches:

- €25m 1.53% unsecured loan notes redeemable at par on 31/01/2047.
- €10m 1.66% unsecured loan notes redeemable at par on 31/01/2052.

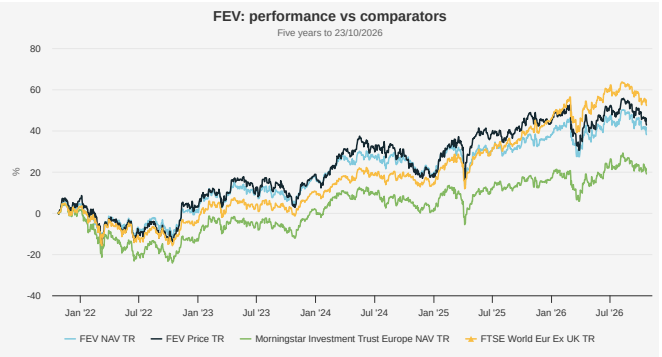
The blended interest cost is 1.57%, which is significantly lower than prevailing borrowing rates.

Performance

Over the last five years FEV's NAV and share price total returns of 39% and 43% trail the benchmark FTSE World Europe ex UK Index's 53% but are well ahead of the Morningstar Europe peer group's NAV total return of 20%. These figures highlight that the last five years have marked very divergent fortunes for active managers. Figures are to 22/10/2026.

Most of FEV's underperformance is a recent development, with the one-year NAV and share price total returns of 0.6% and -3.2% compared to the benchmark's 8.7%. Further on we look at a relative chart that clearly illustrates how underperformance has developed over a relatively short period.

FIVE-YEAR PERFORMANCE



Source: Morningstar

Past performance is not a reliable indicator of future results

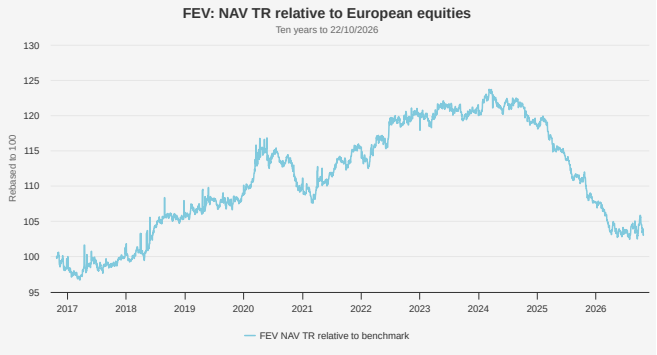
The next chart looks at relative performance, where FEV's NAV total return is divided by the benchmark, and rebased to 100. A positive incline to the chart indicates outperformance and vice versa. As the chart shows, FEV has outperformed for much of the last decade, but the last two years have been exceptionally tough. The team identify a few factors that have contributed to this. They acknowledge that recent stock

selection has fallen short of expectation, with some of FEV's financials, notably 3i Group and Partners Group, having seen very weak share prices, alongside other names like EssilorLuxottica in healthcare and pharmaceutical giant Novo Nordisk.

This has also been an environment that has favoured value stocks over FEV's preferred quality growth style, against a backdrop of rising government bond yields. The portfolio has also been underweight Germany at a time when markets turned more positive about the impact of Germany's infrastructure and defence spending plans, and indeed the portfolio was also very light on defence at a time when this sector performed very well. In 2026 there has been a pullback in the sector and the team have added some defence and defence-related exposure.

As we see in the **Portfolio section**, the divergence between investment styles has left FEV's portfolio at a very attractive valuation even as it offers superior growth prospects and a reversal could lead to very strong outperformance.

TEN-YEAR RELATIVE PERFORMANCE



Source: Morningstar

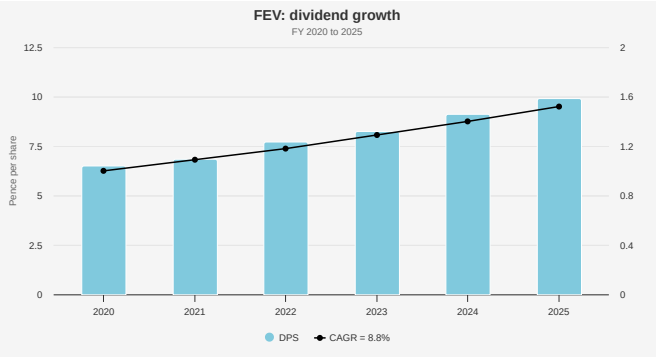
Past performance is not a reliable indicator of future results

Dividend

FEV currently yields 2.4% and pays dividends twice a year. The financial year ending 31/12/2025 marked the 15th consecutive year of dividend increases, and between 2020 and 2025 the dividend has increased by an annualised 8.8%. For the first half of the current financial year to 31/12/2026, the interim dividend was increased by 7.7%. Historically FEV normally pays a covered dividend, with the exception of 2020 when FEV, like many other investment trusts, relied on revenue reserves to make up the slight shortfall caused by the pandemic.

FEV's managers see a company's ability to grow its dividend as a key factor in their investment decisions, but nevertheless they are not set a specific income objective and, historically, FEV's portfolio yield has actually been slightly lower than that of its benchmark. During 2026 FEV's portfolio yield has reached parity with the market not because the managers are doing anything different but because the market is placing less of a premium on quality companies with good earnings growth. FEV's managers quite reasonably see this as a sign that their portfolio companies are being undervalued by the market and any change from this could be a significant driver of FEV's future performance.

DIVIDEND PER SHARE



Source: Fidelity

Past performance is not a reliable indicator of future results.

Management

FEV is managed jointly by Sam Morse, Marcel Stötzel and Alexander Laing. In September 2025 the board of FEV announced that Sam, who has managed FEV since 2011, would retire in October 2027 and, as part of that transition, Alexander Laing joined Sam and Marcel as co-manager beginning on 01/11/2026, allowing for a smooth transition period of 12 months. FEV's investment policy and objective will remain the same.

Sam has managed FEV since 2011 and started at Fidelity in 2004, initially in the UK equities team before moving to European equities. Sam began his career in 1986, working as an analyst before moving to a fund management role in 1992. He also manages the c. £4.2bn open-ended Fidelity European Fund, using the same investment approach.

Marcel became co-manager of FEV in 2020, having joined Fidelity in 2014 as a pan-European equity analyst and moved to a fund manager role in 2018, co-managing Fidelity's Sustainable European Equity fund. Marcel began his career in investment banking in 2011.

Alexander became co-manager on 01/11/2026 and brings deep experience as both a European analyst and portfolio manager, having been with Fidelity since 2011. He is currently portfolio manager for the Fidelity Funds - Climate Solutions Fund and the Circular Economy strategy, and co-portfolio manager on the Fidelity Funds - Water & Waste Fund. The team emphasise that Alexander and Marcel share the same core quality-growth philosophy, while bringing different perspectives through their analytical backgrounds and portfolio management experience.

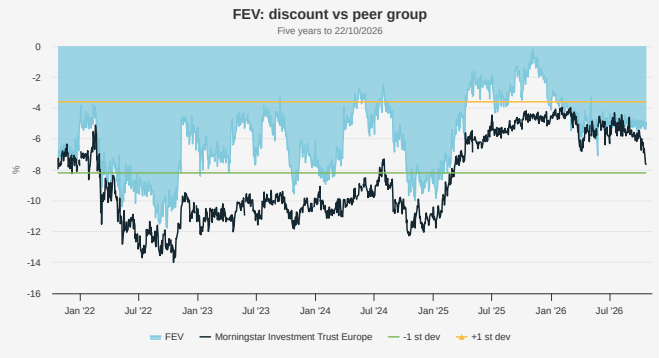
Fidelity has a team of approximately 134 equity analysts covering the US, Europe, Pan-Asia and emerging markets, of whom over 34 are European specialists, and the team can also call on large teams of credit, ESG and quantitative analysts. Fidelity has long-term incentive plans in place that reward analysts for successful stock picking.

Discount

FEV's current discount is 5%, against a five-year average of 6%. The Morningstar Europe peer group discount is currently just under 8%, averaging 9% over the last five years. The chart below illustrates how FEV generally maintains a narrower discount than its peer group. It also shows how discounts for European investment trusts have narrowed over the last two years, reflecting a pick-up in positive investor sentiment to European equities.

FEV's narrower-than-average discount is likely in part a function of its market cap, £2bn, which removes any remaining liquidity concerns that professional investors may have about buying investment trusts. FEV also has an enhanced discount management policy, which we examine further below.

DISCOUNT



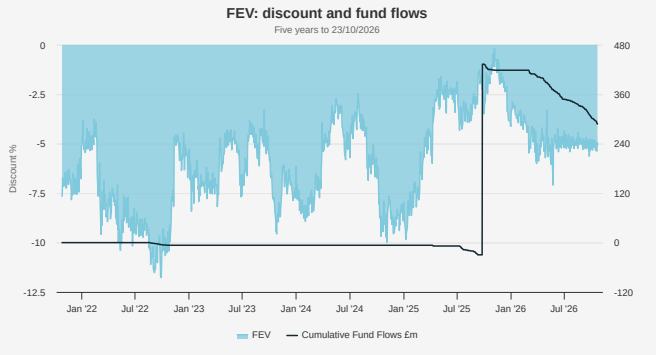
Source: Morningstar

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In 2025 the FEV board introduced an enhanced discount policy, which seeks to maintain the discount in mid-single digits in normal market conditions, by using share buybacks. This policy was introduced in connection with FEV's combination with its smaller peer Henderson European. The next chart plots FEV's discount, the blue shaded area, against flows in and out of the fund, which are shown by the black line and are

measured in £m on the right-hand y-axis. The combination with Henderson European accounts for the large positive flow recorded on a single day in 2025. The gradual descent since then records the steady share buyback programme aimed at maintaining the discount in mid-single digits. The 'inflow' from the Henderson European transaction was c. £460m and since then the FEV board has bought back about £145m of shares.

DISCOUNT AND FUND FLOWS



Source: Morningstar

Past performance is not a reliable indicator of future results.

Charges

FEV's most recent ongoing charges figure (OCF) is 0.68% (for the FY ending 31/12/2025), compared to the AIC Europe peer group average of 0.79%. FEV's management fees are tiered as follows:

- 0.70% on the first £400m of net assets;
- 0.65% between £400m and £1.4bn; and
- 0.55% above £1.4bn.

Based on current net assets of £2.0bn we estimate the tiered structure results in a blended fee of 0.62% although that figure will rise and fall inversely to net assets.

ESG

FEV has an ESG rating of average from Morningstar. European equities conform to higher ESG standards when measured against global indices, and so an average rating for Europe is, in global terms, above average. Fidelity has its own large ESG team and its own proprietary ESG ratings, which show different scores for some companies when compared to the industry ratings from Morningstar and MSCI, and this shows the portfolio as being above average when compared to the market. Fidelity has a team of 34 sustainability specialists integrated into its overall research platform and ESG factors are fully integrated into the team's overall assessment of a company.

The team's risk-averse approach means that ESG assessments can help them have a broader understanding of where a company might go wrong. Fidelity's approach to engagement with companies is flexible and may take different forms, depending on the specific circumstances, and may be led by sustainability specialists or sector analysts. Their proprietary system allows them to track engagement and to track trends in ESG performance by their investee companies. In the previous financial year, the most frequent topic of engagement with companies was remuneration, followed by governance and biodiversity.

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