



# Results analysis Fidelity China Special Situations

**FCSS has outperformed over multiple time periods, yet still offers good value.**

Update  
**13 January 2026**

- Fidelity China Special Situations (FCSS) has reported half-year results for the period ending 30/09/2025. The trust saw a NAV total return of 29.7%, considerably ahead of its benchmark, the MSCI China Index, which returned 18%, and the (unweighted) average of the peer group of 18.1%.
- The main contributors to performance included core holdings in the consumer and industrials sectors, many of which align with manager Dale Nicholls' key focus on the advanced manufacturing and innovation themes, which have thrived this year.
- Examples include automotive LiDAR sensor supplier Hesai Group, which delivered robust revenue growth, contributing to a return to profitability, as well as announcing plans for a secondary listing in Hong Kong which was received positively. Former private holding, autonomous driving company Pony.ai, rallied in the period after positive development milestones, such as closing in on single-unit profitability. Elsewhere, Dongfang Electric contributed positively due to improved optimism on major hydropower projects and the expectations of an earnings recovery.
- Several financial firms were sold during the year as the interest rate backdrop weakened, leading to the sector being a notable underweight. In exchange, the manager added to several consumer-facing businesses, including e-commerce giant Alibaba, as well as initiations in domestic sportswear brand Xtep International and China Resource Beer.
- There was also a new private holding in the period, Hong Kong based crypto exchange HashKey Holdings which the manager notes provides exposure to the improving regulatory environment around the asset class. HashKey subsequently listed in December 2025 and has initially performed well to date (09/01/2026).
- Gearing added positively to performance, contributing 3% to returns in the period. The net level was 19.6% at period end, down from 20.5%.
- Whilst share price returns were also strong at 28.7% over the period, the discount widened slightly by 90bps to 8.3%. To help manage this, the board undertook share buybacks, with the aim of keeping the discount in single figures. In the period, c. 9m shares were bought back, equivalent to 1.6% of the opening share count.

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- In the period since the publication of the results, China has endured a small market pullback, however, FCSS has still outperformed in this environment. As such, from the beginning of the trust's financial year to now (08/01/2026), FCSS has delivered a NAV TR of 22.8% versus the index return of 10.9%.
- Manager Dale Nicholls' outlook noted: "Particular promise in advanced manufacturing, automation, and technology-enabled industrials; areas aligned with policy priorities and capable of compounding value over time," whilst reiterating he remains, "focused on companies with durable earnings visibility, exposure to structural growth themes and disciplined capital allocation".

## Kepler View

Manager Dale Nicholls has delivered another period of exceptional returns for **Fidelity China Special Situations (FCSS)**, capturing all of the recovery in China's equity market and more over the past year,



leaving it as the top performer in the sector over almost all time periods, in both share price and NAV total return terms.

Performance has come from a wide range of contributors which we think demonstrates the strength of the manager's flexible approach and his ability to identify alpha across a broad opportunity set and sectors. This includes the ability to invest in private companies. In the latest results, Dale has added a new private holding, HashKey Holdings, which offers exposure to the developing crypto market, which arguably has limited public investment opportunities in the region despite the growing interest in the asset class. Meanwhile, former private holding Pony.ai was one of the biggest contributors to performance in the period, demonstrating how these positions can continue to benefit returns throughout their life-cycle. In the period since the publication of the results, HashKey has also IPO'd and has performed well since, providing a further demonstration of the benefits of the private approach.

Despite the dominant relative performance, Dale has continued to evolve the portfolio to reflect the changing background in China. He has taken profits from his strong performers and rotated into areas of better value such as those exposed to the consumer. We believe this can be supportive to future performance should the economic recovery continue to gain firmer footing. Moreover, the portfolio looks well exposed to several of the country's strong long-term themes, such as electric vehicles supply chain, artificial intelligence and advanced manufacturing, all of which are the focus of heavy research and development something **[we recently published an article on here.](#)**

This approach has helped tilt the portfolio towards the better pockets of value which could offer considerable upside in our view. Whilst the market has re-rated in the past couple of years, the MSCI China Index trades at around 13x 12-month forward earnings, closer to its own long-term averages, but still well below the c. 23x equivalent multiple of the S&P 500. With Dale rotating into areas with more subdued valuations, we believe the trust offers a compelling value opportunity going forward, something that is further enhanced by the trust's ongoing discount.

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