Results analysis: Fidelity Asian Values

FAS' contrarian approach has driven strong returns, with a change to the dividend policy adding further appeal.

Update
29 October 2025

- Fidelity Asian Values (FAS) has released its annual results for the year ending 31/07/2025. In the period, the trust delivered a NAV total return of 12.4%, considerably ahead of its benchmark, the MSCI AC Asia ex Japan Small Cap Index, which returned 7.1%. FAS also outperformed the weighted average return of the three-strong Asia Pacific Smaller Companies peer group of 7.8%.

- The contributors to outperformance stem from a wide range of sources as a result of managers Nitin Bajaj and Ajinkya Dhavale's stock selection focus. The top contributor was semi-conductor giant TSMC which rose significantly due to its exposure to the AI boom. The second largest contributor was De Grey Mining, an Australian gold mining firm that was the subject of an M&A takeover. Third was Crystal International, a long-held Vietnamese apparel manufacturer previously trading at a compelling valuation.

- Gearing is taken through derivatives, specifically CFDs. Gearing added an additional 250bps to relative performance in the year. The level was reduced over the period, from 6.2% to 3.4%, reflecting the recovery in markets leading to higher valuations, meaning the managers reduced their additional exposure. They also use derivatives to short stocks. These generated an additional 38bps in the year and stood at 6.7% at the end of the period.

- FAS' share price performed well, returning 17% in TR terms. This has led to the discount narrowing from 10.1% at the beginning of the period, to 6.7% at the year end, its narrowest point of the year, although the discount had traded as wide as 14.5% in the period. The discount's narrowing trend has continued in the period since, to its current level of 6%, giving the trust the narrowest level in the sector, versus two peers trading at 11% and 12%.

- The discount narrowing has been aided by a large number of share buybacks. In the period, c. 4.5m shares were bought back, equivalent to 6.3% of share capital, adding c. 70bps to NAV. These have continued post results, with over 2m shares bought back since.

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- The trust announced an annual dividend of 20.5p per share, a 41.4% increase on the previous year. As such, the trust offers an historic yield of 3.4%, based on the current share price. This jump has been driven by increase in underlying revenue, which increased from 14.2p to 22.5p per share, as well as changes to the charging structure. Previously, charges were charged solely to revenue account, but are now split 75% to capital account and 25% to revenue, increasing the amount payable to investors.

- Chair Clare Brady reflected on the good performance, highlighting that the trust: "Has been able to do so well against a backdrop of turmoil and extreme volatility [which] speaks to the fact that the fund offers investors excellent risk diversification" whilst also remaining positive on the outlook, noting the managers "continue to see good prospects for their portfolio of undervalued, quality businesses."

Kepler View

We believe these results are a strong validation of managers Nitin Bajaj and Ajinkya Dhavale's approach, with their contrarian approach capturing the market turning points that have been a feature of the period under review. Asian markets have been through considerable changes in the past year, with once high-flying India seeing a pullback, whilst multi-year laggard China enjoyed a sharp rally. The managers' positioning in this environment was favourable, and has proved to be supportive to returns. We note this positioning was purely a function of their bottom-up, stock selection focus, which has proven its worth during a volatile economic period. This has reinforced **Fidelity Asian Values' (FAS)** long-term outperformance of its benchmark, the trust now having returned 79.5% over five years to 24/10/2025, versus 67.8% for the index, which we believe demonstrates the quality of the approach.

Furthermore, the managers point to several factors indicating optimism for the future. Whilst the recovery in the asset class has led to aggregate valuations returning to or rising above long-term averages, Nitin and Ajinkya have still been able to identify a large number of opportunities from across the region trading at valuations that offer considerable margin-of-safety. Best demonstrating this is the aggregate portfolio valuation of 10.4x on a price/earnings basis, considerably lower than the market average 17x. As a result, the trust's positioning remains highly differentiated to both the index and the peer group, with the managers identifying many good but overlooked companies trading below their intrinsic value, particularly in China which remains a key overweight. The 'old economy' sectors such as consumer and industrial stocks are key allocations. Elsewhere, the managers have identified a diverse range of opportunities in Indonesia despite the country's challenges. As such, we believe FAS continues to provide investors a unique proposition that offers diversification benefits, as well as the potential to deliver notable upside as markets recover.

Whilst these results have reinforced the core investment case for the trust, the improved dividend outlook has also been positive in our view. The tweaks to how charges are attributed are small, but mean the long-term income potential for the trust has improved considerably. The trust has historically yielded in excess of the benchmark, although this is more an output of the process of identifying companies with good underlying cash flows and investing at valuations with a margin for error built in leading to good revenue generation rather than a key focus. However, the charges tweak means more of this can be passed on as dividends, further adding to the trust's appeal in our view.

These factors may well have contributed to the trust's improved rating, with the discount having narrowed to c. 6.7% at time of writing. We think the discount is an additional attraction to investors looking to capture the recovery in the region, and the successful strategy of FAS' managers.

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