



## FIDELITY GLOBAL SPECIAL SITUATIONS MANAGER CONTINUES TO FIND OPPORTUNITIES IN ENERGY

- **Fund returns almost 17% since launch 1 year ago**

**London, 29 October 2007** – One year on from the launch of **Fidelity Global Special Situations** – the fund created when Fidelity Special Situations, run by Anthony Bolton, was split into two separate portfolios – its manager, **Jorma Korhonen**, talks about some of the opportunities he has found and the outlook for markets.

“I look for companies that have unrecognised value,” begins Mr Korhonen. “These typically fit one of the following criteria: A company going through a restructuring phase, whose growth potential is unappreciated or whose value is substantially below its asset replacement value, industries undergoing structural change and cyclical turns within specific industries.

An example of an industry going through a structural shift which Mr Korhonen invested in is US railroads. “Structural change in an industry offers many opportunities” says Korhonen. “The drivers of the shift in this industry were clear: While there has been outsourcing of manufacturing to Asia, goods still need to get there and trains have superior economics to any other form of land travel. In addition, coal remains the major source of power generation in the US and new supply of this commodity shifted from the Appalachians to the Powder River Basin – many thousands of miles. This coal then needs to be shipped back to the population. With the average train doing only 30 mph, more are needed to cope with this demand. Finally, the industry has only 4 operators and is therefore semi-monopolistic. With only 1 or 2 choices of route, and the only competition being congested roads, these companies have pricing power. In the last 3 years, you would have almost tripled your money simply by investing in this industry.”

Since its launch, the fund has returned 16.97% compared with a benchmark return of 13.27%\*. “I am pleased with the fund’s performance so far”, continues Korhonen. “At a sector level, my biggest overweight during the whole period has been in energy stocks, as I believe the true extent of the business cycle is not yet reflected in prices. Investments in companies such as Schlumberger, an oilfield service stock have benefited performance - it has benefited from strength in crude oil fundamentals,



improved pricing power and double digit earnings growth. My largest underweight has been financials which have struggled in the wake of volatility in global capital markets.”

“It has certainly been an interesting 12 months”, continues Korhonen. “We have seen two market corrections and the first run on a bank for many, many years and I personally do not think that we have seen the end of the volatility.

“Looking forward,” concludes Korhonen, “I believe that the real impact of the US housing market issues has still to filter through. Risk appetite was high for a sustained period of time and nothing offsets that quicker than a run on a bank and we are now starting to see a return of pricing in risk. However, on a positive note, emerging markets have so far escaped the worst of the market woes and have continued to grow. This is a long term story and while we may see volatility there as well in the short term, the long term outlook remains favourable.”

**Top Ten as at 31.12.06**

Tesco	3.21%
UnitedHealth Group	2.68%
Reuters Group	2.63%
Amlin Plc	2.51%
Roche Holdings	2.43%
Tyco international	2.36%
Reed Elsevier	2.31%
Bayer	2.25%
Valero Energy Corp	2.19%
Nobel Corporation	1.98%

**Top ten as at 30/09/07**

Bayer	3.38%
Tesco	3.21%
DaimlerChrysler	3.16%
E.on	2.91%
UnitedHealth Group	2.89%
Schlumberger Ltd	2.52%
Roche Holdings	2.48%
Reed Elsevier	2.43%
ArcelorMittal	2.40%
Mosaic	2.39%

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**Notes to editors:**

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