

Markets **Business**

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Buy, sell or hold: today's best share tips



A London fund that looks to Europe

FIDELITY EUROPEAN TRUST

Market cap
£1.6 billion

Discount to NAV
-8 per cent

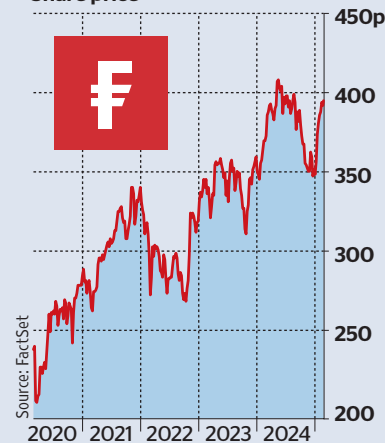
European stocks have long lagged their American peers as worries about growth and possible trade wars weigh on performance. Yet shares on the Continent are rallying this year. The Stoxx Europe 600 is outperforming both the FTSE 100 and the S&P 500, up roughly 9 per cent compared with 5 per cent in London and only 2 per cent from the US benchmark. Fidelity European Trust has been no exception. The shares in the £1.6 billion fund are up by 12 per cent in the year to date. So should investors be looking across the Channel for returns?

The London-listed fund is spread across some of the biggest businesses in Europe, with typically between 40 to 50 different stocks in the mix. The top holding as of the end of December was in the German software company SAP, at 5.9 per cent of its total net assets. That was followed by the Dutch chipmaker ASML and the Danish drugmaker Novo-Nordisk, the manufacturer of weight-loss drugs Ozempic and Wegovy.

On a geographic basis, the fund is notably overweight in France. Just under 33 per cent of the portfolio was invested in French stocks as of the end of December, compared with 21 per cent in the index. Indeed five of its top ten positions are French:

High fidelity

Share price

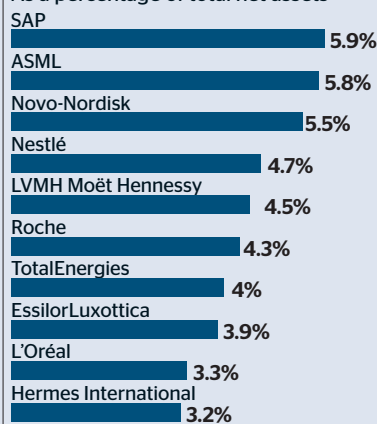


ADVICE Buy
WHY Consistent performer available at a discount

the luxury goods group LVMH Moët Hennessy, the energy group TotalEnergies, the eyewear business EssilorLuxottica, the beauty conglomerate L'Oréal and fashion group Hermès. Although the fund's preferred benchmark excludes British companies, just under 5 per cent of the portfolio is invested in the UK, mostly in the private equity firm 3i Group. It is however worth noting that 3i's portfolio is highly

Top ten holdings

As a percentage of total net assets



As of the end of December Source: Company reports

concentrated in Action, a Dutch discount store chain.

Fidelity European's track record speaks for itself, with its managers Sam Morse and Marcel Stotzel beating their passive alternative on a one, three and five-year basis.

In the five years ending in 2024, it delivered a cumulative net asset value return of 54.2 per cent, compared with 41 per cent from its benchmark index, the FTSE World Europe ex-UK. Since its launch in 1991, it has grown by a cumulative 5,802 per cent, compared with 1,546 per cent by the index.

The trust also does not officially aim to provide investors with income, but it seeks out companies

that are cash-generative and are capable of delivering growing dividends over the long term.

Although a yield of 2.1 per cent may not be particularly eye-catching, Fidelity European has increased its payouts for 13 consecutive years. From 2020 to the end of 2023 the trust delivered an annualised dividend growth rate of 17 per cent, well ahead of inflation, according to analysis by the research firm Kepler.

The trust trades at a relatively modest discount of 8 per cent, compared with an average of 8.5 per cent across other listed funds that also specialise in European stocks. The board has historically intervened with a buyback when the discount surpasses double digits, most recently in 2022.

From a free perspective, Fidelity European is not particularly cheap, with an ongoing charges figure of 0.77 per cent, compared with an average of 0.78 per cent among its rival funds. The management fee is tiered, at 0.85 per cent on the first £400 million of its net assets, falling to 0.65 per cent on assets over this point. This equates to an average management fee of about 0.7 per cent, according to analysis by Kepler.

But that is in exchange for a highly experienced management team: Morse has been at Fidelity since 2004 and Stotzel has been co-manager on the fund since 2020, having joined Fidelity in 2014 as a pan-European equity analyst.

For an experienced, well-resourced team with a consistent record of outperformance, this looks attractive.