



# A European fund – but boss says it is sprinkled with world beaters

**A**LTHOUGH the trust's label tells investors where it seeks out opportunities, the managers in charge of Fidelity European view this investment trust rather differently. They see it as a vehicle that gives investors exposure to some of the world's leading companies.

'If you look at European stocks,' says co-portfolio manager Marcel Stotzel, 'the top 30 per cent are high quality while the bottom 30 per cent are low quality and riddled with bureaucracy. For astute stock pickers, Europe can be a great market.'

Stock picking is what Stotzel and lead manager Sam Morse do for a living – and it is the foundation stone of London-listed Fidelity European, capitalised by the stock market at just over £1.5 billion.

The fund comprises 45 stocks, many of them familiar names and in Stotzel's words 'world beaters' deriving a big chunk of their earnings outside of Europe.

'If you look at our top holdings,' he adds, 'it is sprinkled with companies that are successful internationally: the likes of French luxury goods and drinks giant LVMH Moet Hennessy that has benefited

## FUND FOCUS

By Jeff Prestridge

from the rise of the Chinese consumer; and Danish pharmaceutical specialist Novo Nordisk that has made big headway in the US healthcare sector.'

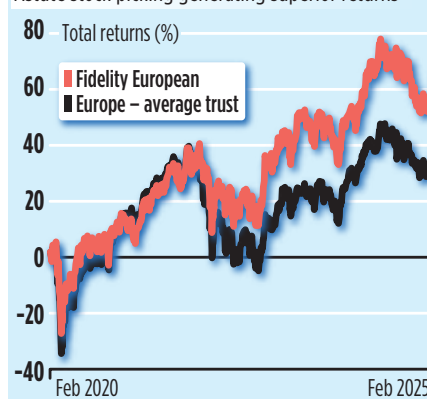
Its focus on 'world beating' European companies is a successful formula. Over the past one, three, five and ten years, the trust has outperformed the average for its peer group. Over ten years, its return of 190 per cent compares with the average for its sector of 125 per cent. For the past year, the respective returns are 9.6 and 7.8 per cent.

Yet Stotzel believes that the trust's beating of the FTSE World ex-UK Index since Morse took over its running in 2011 is a more impressive feat. Over this 14-year period, the trust has delivered average annual returns of 10 per cent, compared to 7.8 per cent from the index.

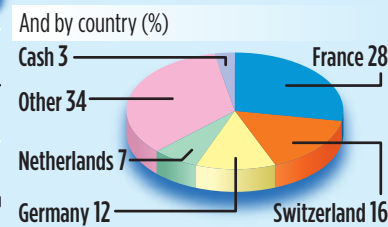
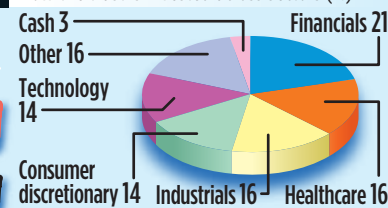
While picking winners is the trust's specialism, it has other characteristics which stand it

### FIDELITY EUROPEAN TRUST

Astute stock picking generating superior returns



### How the trust is invested across sectors (%)



### TOP 10 HOLDINGS (country) % of assets

SAP (Germany)	5.1
ASML (Holland)	5.0
Novo Nordisk (Denmark)	4.8
Nestle (Switzerland)	4.1
LVMH Moet Hennessy (France)	3.9
Roche Holdings (Switzerland)	3.7
TotalEnergies (France)	3.5
EssilorLuxottica (France)	3.4
L'Oreal (France)	2.9
Hermes International (France)	2.8

apart from competitors. Key is the managers' focus on building in downside protection.

'I never want to sit in front of investors at an annual general meeting and say that while the market is down 10 per cent, the trust is down 20 per cent,' says Stotzel. 'We're constantly thinking about ways to limit downside risk.'

One way is through seeking out dividend-friendly companies. 'Although the earnings growth of companies is important,' says Stotzel, 'we think dividend growth symbolises more. It shows

that a company cares about its shareholders.'

A recent addition to the trust's portfolio is airline Ryanair. 'We had been eyeing it for a while,' says Stotzel. 'It's a low-cost provider in a very commoditised industry and should benefit in the next three to five years from the mismatch between increased demand for seats and flat supply.'

'The clincher for us was its decision to start paying a dividend.'

The trust's other distinguishing mark is its long-term approach. If the two managers like a business,

they are happy holding it, albeit trimming or adding to it when circumstances dictate. Businesses held for at least the last decade include Swiss food giant Nestle, Novo Nordisk and chemicals company Linde.

Ongoing annual charges are reasonable at 0.77 per cent. The stock market ticker is FEV and the code BK1PKQ9.

The last annual dividend was 8.25p a share with the interim divi of 3.6p (paid last October) more than 10 per cent higher than the previous year.