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Anthony Bolton: my best ever trades

The Fidelity star made fortunes for his clients. He shares some of his smartest moves with **Richard Evans** in Shenzhen

Sometimes it pays to take the indirect route. As Anthony Bolton looks forward to bowing out on a high – his Fidelity China Special Situations fund, which he will leave next year, has recovered all its earlier losses and more – he can afford to look back at a couple of the more unusual coups from his time at the helm of the fund's predecessor, Fidelity Special Situations.

In an interview with *The Sunday Telegraph* on a recent trip to China, he provided investors with some useful insights into how he spotted opportunities that others had missed. His ability to do this over a 28-year stint at the Special Situations fund turned some ordinary savers into millionaires. For example, £10,000 invested in 1979 had been turned into £1.47m by the time he stepped down in 2008.

So what were these examples of masterly stock picking?

Many involved the latest technology. The fund that Mr Bolton, 63, currently runs has its fair share of cutting-edge Chinese internet stocks, such as Alibaba, the e-commerce business, and Tencent, which offers online gaming and instant messaging.

When mobile phones were first around, there were only two networks in Britain – Vodafone and Cellnet, in which British Telecom had a 60pc stake. The remainder belonged to Securicor, the security company.

Mr Bolton wanted exposure to

Cellnet – but he didn't buy shares in BT. "Mobile was obviously where the growth was," he said. But BT had a big landline business, which he didn't want to put money into, whereas Cellnet accounted for a much larger proportion of Securicor. So he bought Securicor shares instead.

"I realised that at some stage BT would want full control and buy Securicor's stake," he said. He hung on until it launched a takeover bid in 1999. The value of Securicor's holding in Cellnet had grown from £4m to about £3bn.

Mr Bolton's other inspired mobile buy was Nokia, the Finnish company that went on to dominate the handset market for many years. At the time it consisted of an array of disparate businesses.

"I met Nokia's finance director, who was an impressive figure, and he told me that he was selling everything except the mobile phone arm," Mr Bolton said. "I bought the shares, which did very well, although I sold them too early."

Other investments that delivered handsome returns for Mr Bolton's clients included technology stocks bought at bargain prices after the dotcom crash. He stepped down from the fund in 2008 and took up a role mentoring his firm's younger fund managers before launching the China Special Situations fund in 2010.

Like many investors, Mr Bolton believes that the growth in consumer spending in China offers opportunities for stock

pickers. He started to think about

'Shares in the parent company offered a cheaper route to a holding'

some of the sectors that could benefit and realised that China's growing middle classes were likely to increase their spending on optical products such as glasses and contact lenses, and that the country's ageing population would further boost demand.

So he set about finding a suitable manufacturer that sold in China – but he found it in Taiwan.

"Formosa Optical has a subsidiary that owns a contact lens business in China," he said. "The subsidiary is also listed, in China, but shares in the parent company offered a cheaper route to a holding. This is just the type of consumer business I look for."

He owns other companies with exposure to China but listed elsewhere. Two trade on the London market – *Fortune Oil* and *Hutchison China MediTech* – while 21Vianet, which houses customers' internet servers in special buildings called data centres, is listed in New York.

Mr Bolton's China fund may not have produced the spectacular returns of its forerunner, despite its recent surge. But in his fourth

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decade as a fund manager, Anthony Bolton is still prepared to take the long way round in the search for profits.

THE FIDELITY STAR'S THREE SECRETS OF SUCCESSFUL INVESTING

● It's easier to spot opportunities in smaller companies

The key to buying shares for less than their true value is spotting something that the rest of the market has missed. But large companies are scrutinised in great detail by a large number of people – analysts who work for stockbrokers or fund managers, the media and other private investors. It's a different story for smaller firms.

While BP, for example, has 30 or so stockbrokers' analysts looking at it all the time, some small quoted companies are covered by just a handful, or even none at all. It's therefore much more likely that a significant fact – perhaps one that gives a company the edge – goes overlooked. "With a small company I could go to a meeting with the management and come out knowing more about that firm than anyone else," Mr Bolton said. "That's not possible with a larger business."

● Look for new opportunities – but don't forget about the shares you already own

Mr Bolton said running a fund

successfully was a team effort involving plenty of backup from his analysts.

Many fund managers say the same and it's tempting to put it down to modesty or toeing the corporate line, perhaps with an eye to reassuring investors that the fund can maintain its performance if the top man leaves.

But the reason Mr Bolton gave for needing a team was deeper than that – and carries a lesson for private investors.

"I use my analysts to watch the fund's existing holdings while I look for new opportunities," he said. "It's important to do both when you're running a fund."

Individual shareholders can't

employ a team of analysts, of course. But they can make sure that they keep monitoring their existing holdings at the same time as looking out for new bargains.

● Fundamentals and market sentiment are both important

Mr Bolton said two things were important when choosing which shares to buy: the fundamentals of the company and stock market sentiment. "Ideally you get both right," he said. "I would avoid buying even a good company when sentiment is poor."

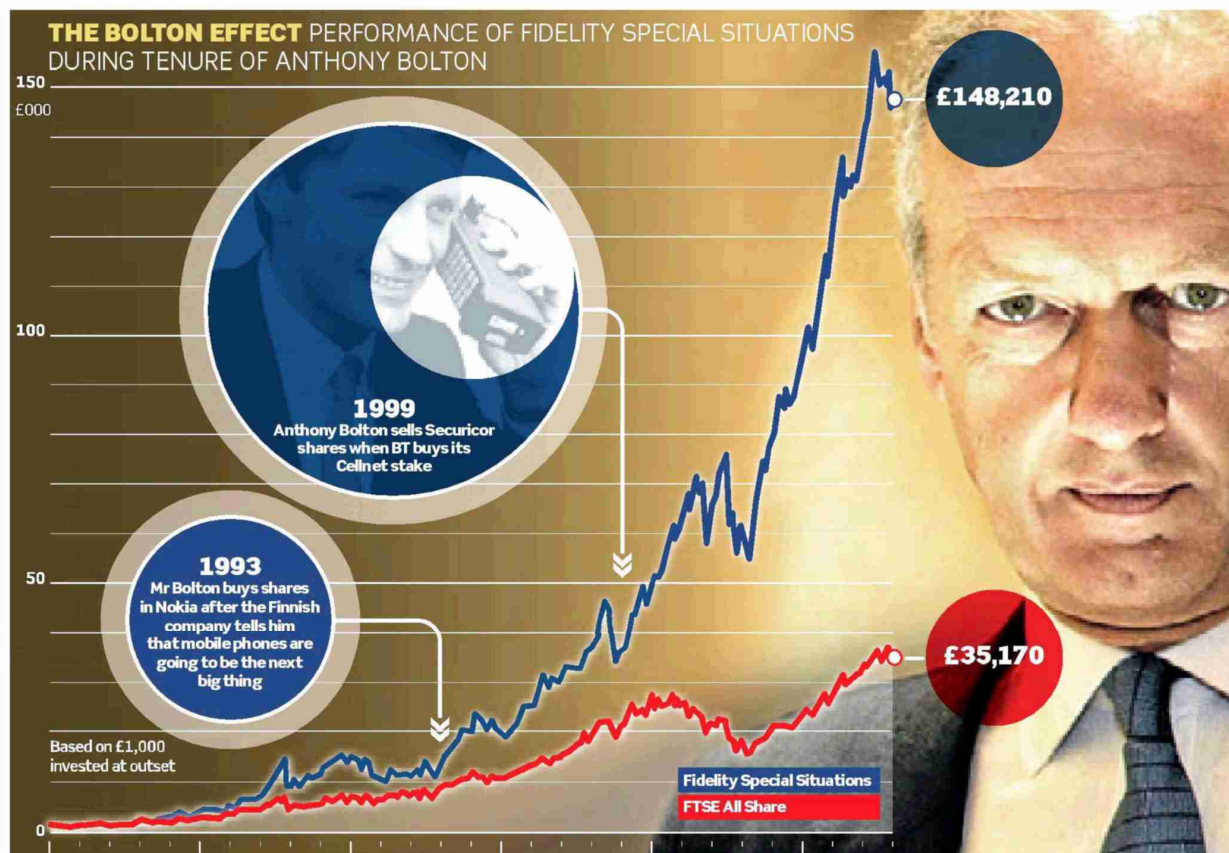
But he added that timing the market was difficult, as his Fidelity China Special Situations fund showed. It lost about 30pc of its value in its first 18 months, before recovering all its losses and more recently. "Markets always overreact," Mr Bolton added.

"It has taken three years for the fund to come right."



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Anthony Bolton's Special Situations fund produced spectacular returns for investors. Nokia and Securicor were two of his best buys, he said - both involved the new market for mobile phones