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**Fidelity**<sup>TM</sup>  
INTERNATIONAL



# FIDELITY SPECIAL VALUES PLC

Annual Report for the year ended 31 August 2020



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# Investment Objective and Overview

**Fidelity Special Values PLC aims to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.**

“With the onset of the Coronavirus (“COVID-19”) pandemic, the year under review has proved challenging for people and businesses across the world. In a difficult environment, our Portfolio Manager, Alex Wright, has continued to act with discipline and invest prudently in the most attractive opportunities, but performance through this extremely challenging period has suffered.

Fidelity Special Values PLC aims to achieve long

term capital growth for Shareholders by investing in special situations. The investment trust is primarily invested in UK equities, but may invest up to 20% of total net assets outside of UK companies. The portfolio consists of around 80-120 positions and the Portfolio Manager’s strategy invests across the market capitalisation spectrum, usually with an overweight to medium sized and smaller companies. It is an actively managed contrarian strategy that seeks out

undervalued opportunities - this typically means investing in companies that have underperformed and where there is little or no value ascribed to any recovery potential.

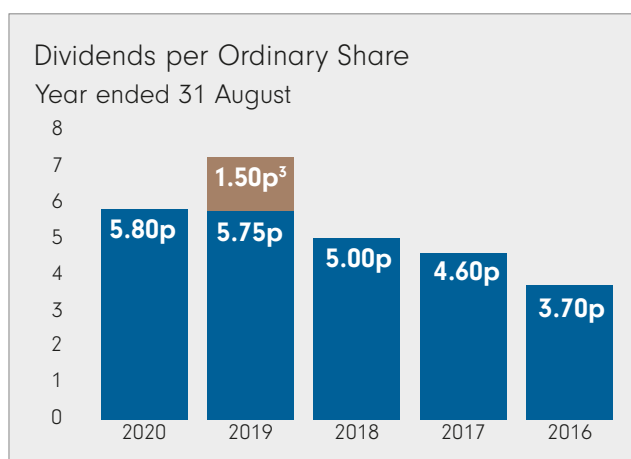
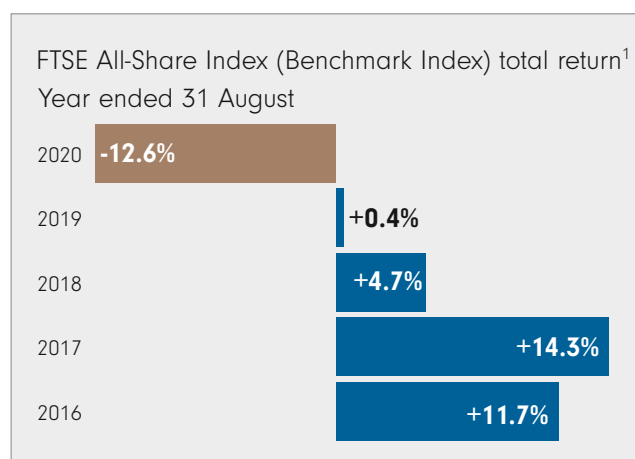
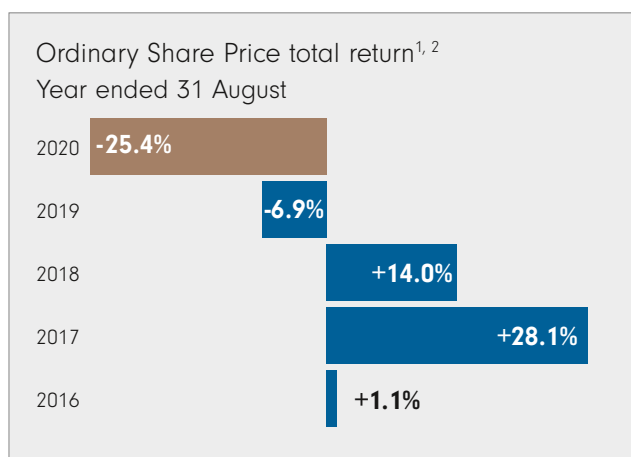
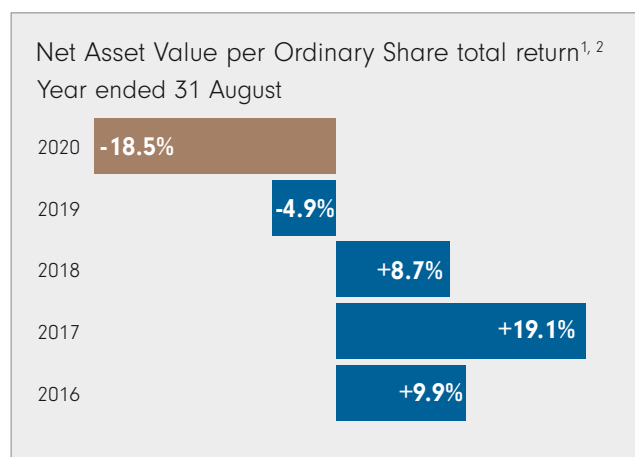
By building a portfolio of stocks that are at different stages of their recovery process, the intention is to deliver outperformance across different market environments.”

Andy Irvine, Chairman



## At a Glance

**The Company's net asset value per ordinary share decreased by 18.5% and the share price by 25.4%, whilst the Benchmark Index decreased by 12.6% (all performance data on a total return basis).**



1 Includes reinvested income.

2 Alternative Performance Measures (see page 71).

3 Special dividend from the substantial income generated for the year ended 31 August 2019.

**As at 31 August 2020**

## Shareholders' Funds

£579.5m

## Market Capitalisation

£526.7m

## Capital Structure

Ordinary Shares of 5 pence each

290,029,480

## Summary of the key aspects of the Investment Policy

The investment approach is flexible, with positions in large, medium and smaller sized companies, across all industries. The Company may make limited investments in companies outside of the UK.

The Company may also invest in other transferable securities, collective investment schemes, money market instruments, cash and deposits, and is also able to use derivatives for efficient portfolio management and investment purposes.

The Company is able to gear the portfolio and the Board takes the view that long term returns for Shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

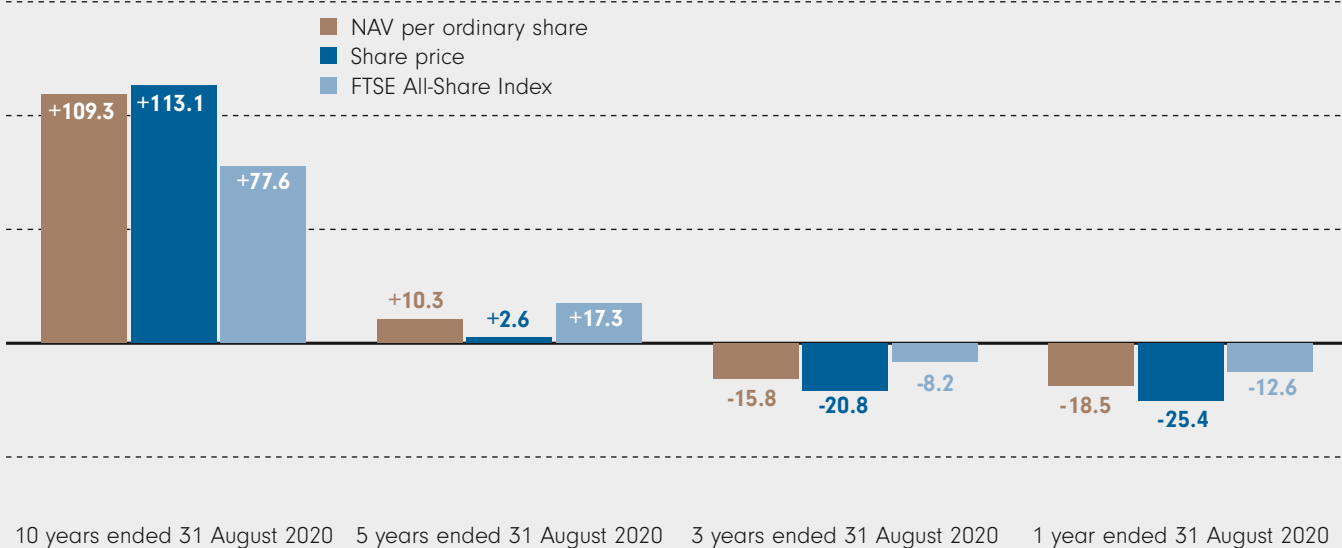
# Financial Highlights

	2020	2019
<b>Assets at 31 August</b>		
Shareholders' funds	<b>£579.5m</b>	£698.7m
Net Asset Value ("NAV") per ordinary share <sup>1</sup>	<b>199.81p</b>	252.99p
<b>Dividends for the year to 31 August</b>		
Final dividend proposed per ordinary share	<b>3.70p</b>	3.65p
Interim dividend paid per ordinary share	<b>2.10p</b>	2.10p
Total dividends for the year	<b>5.80p</b>	5.75p
Special dividend paid per ordinary share	<b>n/a</b>	1.50p
<b>Share price and discount data for the year ended 31 August</b>		
Share price at the year end	<b>181.60p</b>	251.50p
Share price: year high	<b>280.50p</b>	277.00p
Share price: year low	<b>135.00p</b>	220.00p
Discount at year end <sup>1</sup>	<b>(9.1%)</b>	(0.6%)
Premium: year high	<b>4.1%</b>	2.9%
Discount: year high	<b>(11.2%)</b>	(4.1%)
Ongoing Charges for the year ended 31 August <sup>1, 2</sup>	<b>0.98%</b>	0.97%

<sup>1</sup> Alternative Performance Measures.

<sup>2</sup> Ongoing Charges (excluding finance costs and taxation) expressed as a percentage of the average net asset values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies ("AIC")). A definition of Ongoing Charges is in the Glossary of Terms on page 82.

## Standardised Performance Total Return<sup>1</sup> (%)



<sup>1</sup> Includes reinvested income.

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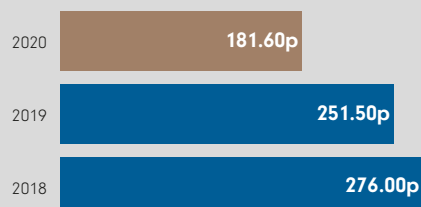
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## Top 10 Holdings

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Share Price as at 31 August



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# Chairman's Statement



I have pleasure in presenting the Annual Report of Fidelity Special Values PLC for the year ended 31 August 2020.

**Andy Irvine**, Chairman

**£579.5m**

(As at 31 August 2020)  
Shareholders' Funds

**-18.5%**

(Year ended 31 August 2020)  
Net Asset Value per Ordinary Share  
total return

**-25.4%**

(Year ended 31 August 2020)  
Share Price total return

**-12.6%**

(Year ended 31 August 2020)  
Benchmark Index total return

With the onset of the Coronavirus ("COVID-19") pandemic, the year under review has proved challenging for people and businesses across the world. In a difficult environment, our Portfolio Manager, Alex Wright, has continued to act with discipline and invest prudently in the most attractive opportunities, but performance through this extremely challenging period has suffered.

Fidelity Special Values PLC aims to achieve long term capital growth for Shareholders by investing in special situations. The investment trust is primarily invested in UK equities, but may invest up to 20% of total net assets outside of UK companies. The portfolio consists of around 80-120 positions and the Portfolio Manager's strategy invests across the market capitalisation spectrum, usually with an overweight to medium sized and smaller companies. It is an actively managed contrarian strategy that seeks out undervalued opportunities – this typically means investing in companies that have underperformed and where there is little or no value ascribed to any recovery potential.

By building a portfolio of stocks that are at different stages of their recovery process, the intention is to deliver outperformance across different market environments. Frustratingly, value investing is experiencing the longest and deepest underperformance relative to growth in more than half a century and this environment has not been conducive to strong returns for our Company. For investors, this is something of a double-edged sword as many disproportionately oversold names are now trading at extremely attractive valuations and history suggests that patient investors should be rewarded if, or more likely when, the tide turns. Alex talks more about this in detail in his Portfolio Manager's Review. The contrarian nature of the Company's investment selection means that Shareholders should not expect consistent outperformance against the Benchmark Index every single year, although the Board believes that the portfolio has the potential to outperform significantly over the longer term. As ever, the Board encourages Shareholders to take a similarly long term view of their investment in the Company's shares.

## Performance

Performance in the year under review to 31 August 2020 has been disappointing, with a NAV return of -18.5% and a share price return of -25.4% compared to the Benchmark Index return of -12.6%. However, shorter term numbers are more encouraging – over the 3 months to 31 August 2020, for example, the NAV increased by 4.1% and share price by 1.5% compared to the Benchmark Index return of 0.3%. Performance figures over Alex's tenure as Portfolio Manager are also strong, with a NAV return of 89.7% and a share price return of 105.5%, compared to a Benchmark Index return of 50.3%. (All performance data on a total return basis).

## Outlook

In this year, perhaps more than most, predictions are difficult to arrive at. At the time of writing, Brexit-related uncertainties continue to loom large and the COVID-19 pandemic shows few signs of abating. What is encouraging is the extraordinary valuation dispersion at present. In 2019 and again in 2020, investing in companies growing revenue fast has been the winning trade. Alex's focus on companies in uncertain and complex situations, unduly punished by the market in valuation terms, should over the long term provide a strong basis for returns. Alex will continue to scrutinise company fundamentals, identifying the most attractive options and building a carefully constructed portfolio. Risk management and strong corporate governance, among other ethical concerns will remain a key priority. The Board thanks Shareholders for their loyalty and patience and retains its high conviction in the investment strategy and its alignment with the long term interests of investors.

## OTHER MATTERS

### Introduction of a Co-Portfolio Manager

Earlier this year, the Board announced that on 3 February 2020 Jonathan Winton was appointed as the Co-Portfolio Manager alongside Alex Wright, the Company's Portfolio Manager. The move to a Co-Portfolio Manager structure will strengthen the investment process by introducing greater challenge and will also increase the ability to meet more companies and, effectively, be in two places at once.

Jonathan joined Fidelity as an analyst in 2005. He is the Lead Portfolio Manager of Fidelity UK Smaller Companies Fund and has worked alongside Alex in the Fidelity UK equities team since 2013. The introduction of Jonathan is a logical step given his long term relationship with Alex and their similar contrarian stock picking investment approach. It will not result in any changes in terms of investment philosophy, investment process, portfolio characteristics and holdings.

Alex remains the Lead Portfolio Manager and will continue to be accountable for portfolio construction of the Company.

### Revised Management Fee from 1 January 2021

I am pleased to report that, following a review of the management fees payable to Fidelity, the Board has agreed a revised fee with effect from 1 January 2021. The current tiered fee structure which is 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million will be replaced by a single fee of 0.60% of net assets. In addition, the fixed annual fee of £100,000 for services other than portfolio management will be removed. Based on net assets as at 31 August 2020,

the management fee reduction represents an annualised saving of around £1.55 million.

There will be no change in the investment process as a result of the new fee arrangement.

### Discount/Premium and Share Repurchases/Issues

Under the Company's discount management policy, the Board seeks to maintain the discount in single digits in normal market conditions and will repurchase shares to help stabilise the share price discount.

The Board will approve the issuance of shares if the Company's shares are trading at a sufficient level of premium to ensure that it adds value for Shareholders and that the issue of shares is not dilutive. Issuing shares increases the size of the Company, making it more liquid and allowing costs to be spread out over a larger pool of assets.

Over the reporting year, the Company's shares traded between a premium of 4.1% and a discount of 11.2%. The level of discount widened from 0.6% at the start of the reporting year to 9.1% as at 31 August 2020. The peer group average discount for the year was 10.3%.

In the reporting year, the Company issued a total of 13,860,000 ordinary shares. Since then and as at the date of this Annual Report, the Company has not issued any further shares.

The Company did not carry out any share repurchases in the reporting year. Since the year end and as at the date of this Annual Report, as the discount widened out, the Company repurchased 1,025,473 shares into Treasury.

The Board continues to monitor the discount/premium closely and will take action when it believes that it will be effective.

### Gearing

The Board has agreed with the Portfolio Manager that if he is able to find attractive opportunities in the market, then the Company's gearing should be allowed to rise, provided the opportunities remain attractive. Combined with Alex's contrarian and value-focused investment philosophy, and also making good use of the Company's structural advantages over its open-ended counterparts, this should continue to add value for Shareholders over the long term.

It is the current intention of the Board that, in normal market conditions, the Portfolio Manager will maintain net gearing in the range of 0% to 20%. The Company remained within these levels throughout the reporting year. The maximum level of gross gearing is 40%.



# Chairman's Statement continued

## Dividend

The Board's policy is to pay dividends twice yearly in order to smooth the dividend payments for the reporting year. Investment trusts have an income advantage which is particularly important during these difficult times, when the dividends of many companies in the portfolio are under pressure. Unlike open-ended funds, investment trusts can hold back some of the income they receive in good years, so building up revenue reserves, which they can then use to supplement dividends to Shareholders at a time when companies in the portfolio may be cutting their dividends. The Board has, over the past few years, gradually built up these revenue reserves.

As mentioned in the Half-Yearly Report earlier this year, many UK companies have either cut or cancelled their dividend payments due to the impact of COVID-19. The Company's revenue return for the year to 31 August 2020 was 4.81 pence per share (2019: 8.65p), and an interim dividend of 2.10 pence per share was paid on 24 June 2020 (2019: 2.10p).

With this in mind, the Board recommends a final dividend of 3.70 pence per share for the year ended 31 August 2020 (2019: 3.65 pence) for approval by Shareholders at the Annual General Meeting ("AGM") on 14 December 2020. The interim and final dividends (total of 5.80 pence) represent an increase of 0.05 pence over the 5.75 pence paid for the year ended 31 August 2019. In the prior year, a special dividend of 1.50 pence per share was also paid to distribute the substantially higher revenue generated from the investments held in the portfolio compared to prior years. The current year's total dividend comprises 4.81 pence earned in the reporting year and 0.99 pence to be paid from revenue reserves.

The final dividend will be payable on 14 January 2021 to Shareholders on the register at close of business on 4 December 2020 (ex-dividend date 3 December 2020). Shareholders may choose to reinvest their dividends for additional shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 76.

## Board of Directors

Nicky McCabe, having served on the Board as a Non-Executive Director since December 2004, will step down from the Board at the conclusion of the AGM on 14 December 2020. I would like to take this opportunity to thank her on behalf of the Board and all of the Company's stakeholders for all that she has accomplished, for her unfailing dedication, wisdom and good humour. Her contribution and knowledge of Fidelity from her time as a Director and Chief Operating Officer of several Fidelity companies has been invaluable for the Board. She will be

greatly missed and takes with her our very best wishes for the future.

As part of the Board's succession plan, I am also pleased to welcome Alison McGregor as a Non-Executive Director of the Company. Alison joined the Board on 1 January 2020. She is Chair of The Malcolm Group and is a Non-Executive Director of the Confederation of British Industries ("CBI"), Scottish Power Energy Networks Holdings and Beatson Cancer Charity and is an Advisor to the Board at Glasgow University Adam Smith Business School. She is also Co-Chair of the Scottish Apprenticeship Advisory Board. In 2018, Alison received the Women in Banking and Finance UK award for Achievement and was recognised by Action for Children as Woman of Influence in Business. In 2017, she was awarded the Scotland Corporate Leader of the Year Award at The Scottish Women's Awards. Previously, Alison was the CEO of HSBC Scotland from 2014 to December 2018, the Chair of CBI Scotland and a Non-Executive Director of Scottish Enterprise.

In accordance with the UK Corporate Governance Code for FTSE 350 companies, I together with Claire Boyle, Dean Buckley and Nigel Foster are subject to annual re-election at the AGM on 14 December 2020. Alison McGregor, being newly appointed, is subject to election at the forthcoming AGM. The Directors' details can be found on page 28, and between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

### Annual General Meeting – Monday, 14 December 2020 at 11.30 am

In response to the widespread nature of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited.

With this in mind, this year's AGM will be virtual in nature. In accordance with the Corporate Governance and Insolvency Act 2020 and with the Company's Articles of Association, the AGM will be conducted as a closed session via video conference. This meeting will be restricted to the formal business of the meeting as set out on pages 73 and 74 and voting on the resolutions therein. An online presentation by the Chairman and Portfolio Manager will be made available on the day of the AGM at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

Copies of the Portfolio Manager's presentation can be requested by email at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP.

Protecting the health of all investors, workforce and officers must be paramount at the current time. We therefore urge all Shareholders to make use of the proxy form provided. If you hold shares through the Fidelity Platform or a nominee (and not directly in your own name), proxy forms are not provided, and you are advised to contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We encourage all investors who have any questions or comments to contact the Secretary so that she can relay your comments to the Board, and we will respond in due course.

We thank you for your cooperation and sincerely hope to resume the meeting's usual format in the future.

**Andy Irvine**

Chairman

4 November 2020

# Portfolio Manager's Review



Alex Wright was appointed as Portfolio Manager of Fidelity Special Values PLC on 1 September 2012. He joined Fidelity in 2001 as a research analyst and covered a number of sectors across the market cap spectrum, both in the UK and developed and emerging Europe. He became a portfolio manager in 2007, launching the Fidelity UK Smaller Companies Fund in 2008. He is also Portfolio Manager of Fidelity Special Situations Fund.

## Question

How has the Company performed in the year under review?

## Answer

The year under review proved particularly turbulent and was marked by a collapse in equity markets in February/March 2020 with the onset of the COVID-19 crisis and a sharp drop in the price of oil. Though UK stocks managed to claw back some of the losses towards the end of the period, it proved a challenging time, particularly for contrarian value-biased investors like ourselves. The Company recorded a share price total return of -25.4% and a NAV total return of -18.5% for the reporting year which were below the FTSE All-Share Index (Benchmark Index) which returned -12.6%. While the Company was economically defensively positioned, a number of our top holdings were disproportionately affected by the pandemic and the resulting decline in business activity.

## Question

What were the key factors behind the Company's underperformance?

## Answer

The bulk of the underperformance took place during the sharp market sell-off that occurred in late February/March 2020 amid increasing concerns over the rapid spread of COVID-19 cases across the world and the impact on economic and corporate activity, company earnings and dividends.

While we took decisive actions early on by selling out of airlines and a few small holdings with levered balance sheets (which looked the most vulnerable), and subsequently reducing exposure to oil and gas stocks, it is fair to say we did not foresee such drastic containment measures and the resulting impact on individual businesses and industries. The Company went into the crisis defensively positioned, with many key holdings expected to be resilient in a downturn. However, the unprecedented nature of the crisis meant that entire industries/businesses had to shut down, a very different backdrop to normal recessions. A number of our top holdings, which would normally fare relatively well in a downturn, were disproportionately affected by the virus containment measures. For instance, aerospace equipment supplier, Meggitt, was the largest detractor (having reported strong results in late February). One of the attractive characteristics of a business like Meggitt is that, irrespective of airline profitability, if planes fly, Meggitt gets maintenance business. In this particular crisis, planes stopped flying altogether which had significant



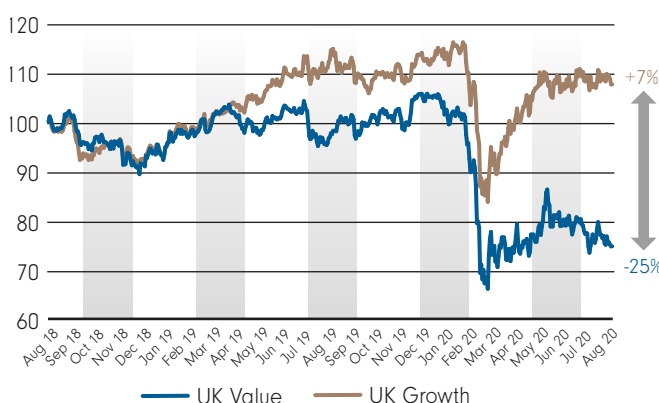
near term impact on the business. Similarly, alcoholic beverage distributor, C&C Group, was affected by pub and restaurant closures because of the lockdown. The stock should have proved defensive, but the unprecedented circumstances meant that it significantly underperformed. Both positions were reduced given the near term headwinds and expected reduced activity levels beyond the lockdown. While the Company has outperformed as market sentiment has improved and some of our holdings showcased their resilience by surprising the market with stronger-than-expected results, this has so far not been sufficient to make up for the earlier underperformance.

#### Question

How would you describe the current market environment? Is it atypical from normal recessions?

#### Answer

The pandemic and ensuing global recession have been historic in their impact and created a lot of uncertainty. In this type of environment, it is not unusual for investors to be wary of companies with elements of uncertainty. However, the market's focus during this pandemic has been very narrow and primarily on companies with superior growth potential, seemingly irrespective of near term uncertainty and unquestionably irrespective of valuations. The companies favoured are typically capital-light and expected to generate high returns, but the focal point does not appear to be limited to virus beneficiaries nor those with particularly visible near term earnings. This has translated into a very one-sided consensus and incredible valuation dispersions, with value meaningfully underperforming growth. This is illustrated in the chart below by the respective performances of the Growth and Value components in the MSCI UK Index.



Source: Refinitiv DataStream, MSCI UK Index

This has proved a challenging backdrop for contrarian portfolios like ours, where even steady companies with visible and relatively safe earnings such as Sanofi (with strong diabetes, cardiovascular and oncology franchises and a credible COVID-19 vaccine under development) or Imperial Brands (with a core cash-generative business and a loyal customer base) are getting very little attention. Investors seem to have lost sight of valuations and focus solely on those stocks they think might become long term winners. Their valuations offer little room for disappointment, while it leaves a vast number of less fashionable parts of the market very cheap. No one can predict with accuracy what will happen over the next year in terms of the evolution of the virus, and the speed of economic recovery, but investing in companies with attractive valuations has proved a rewarding strategy over the long term, and we see no reason why this should change going forward.

#### Question

What might trigger a reversal in fortunes for value investors?

#### Answer

Changes in interest rate expectations and investor sentiment are most likely triggers for a value outperformance. Typically, the style tends to enjoy periods of sustained outperformance in the early stages of an economic recovery as price levels rise. There are reasons for some cautious optimism here, as economic activity has picked up over recent months and there are signs inflation is rising (albeit from low levels). Additionally, fiscal policy remains loose globally. However, a resurgence in virus infection rates, and further societal restrictions from governments, have tempered near term expectations. A second potential catalyst for value outperforming would be a change in investor sentiment towards growth stocks that have dominated market performance. Markets have become very one-sided and the well-documented dominance in the US of FAANGs (the five prominent technology companies: Facebook; Amazon; Apple; Netflix; and Alphabet (formerly known as Google) is one example of the 'winner takes all' trend. Investor expectations are extremely high and lofty valuations leave little room for error. Should a handful of these stocks fail to deliver on growth, the market reaction is likely to be aggressive and we could see some rebasing of valuations for growth names more broadly, which would lead investors to become more valuation sensitive. While it is extremely difficult to predict the exact turning point, we are comforted by the fact we are finding a lot of attractive investment opportunities, with very favourable upside/downside, across sectors. While the Company does perform better when the market is upbeat and people are more positive

# Portfolio Manager's Review continued

about opening up and restrictions being eased, it is not aggressively positioned and should prove resilient during the second wave of the virus or if the economic impact is worse than anticipated. Indeed, it is heartening to see that even as sadly a second wave of COVID-19 cases is leading to greater restrictions throughout the UK and Europe, the Company has not underperformed the wider market over recent weeks.

## Question

How has COVID-19 impacted holdings, and how sensitive is the portfolio to the virus going forward?

## Answer

The pandemic has had a profound impact on both the economy, which shrunk by a record 20% in the second quarter of this year, and individual businesses, as we previously highlighted with Meggitt and C&C Group, two normally-resilient companies. Having said that, the crisis also illustrated the benefits of a diversified portfolio, as the likes of pharmaceutical firm Roche Holdings, power generation company ContourGlobal and fuel-to-medical products conglomerate, DCC, demonstrated their resilience, as did the life insurers (a key theme in the portfolio), which reported solid results underlining their lower cyclical and improved solvency levels since the financial crisis.

Given the unprecedented nature of the crisis and some of the unexpected developments, it has been, and will remain, key to stay close to individual companies. For instance, while retailers were very much in the 'eye of the storm', it soon became apparent that some would not be as badly impacted as initially feared. Both Frasers Group and Halfords Group surprised the market with better than expected results, the former thanks to strong growth in demand for sportswear and the latter through robust bike-related demand (as people looked to exercise more during the pandemic or avoid public transport). Similarly, Government outsourcer Serco Group upgraded its 2020 profit expectations, as it strengthened its collaboration with authorities and won new contracts to help combat the virus. Looking ahead, we remain very wary of virus-exposed businesses given the resurgence in the number of infections and some of the prevailing valuations which do not seem to reflect the degree of losses expected in the near term. These represent a small percentage of the Company, and most of our holdings in this space have something that gets them through a lockdown, be it a growing laundry machine business (Photo-Me International), off-trade (C&C Group) or its defense business (Meggitt), which provides them with a degree of protection.

## Question

There is a greater focus than ever on Environmental, Social and Governance ("ESG") matters. How does Fidelity think about ESG?

## Answer

Corporate governance has always been a key consideration for Fidelity. It is particularly important for me as a contrarian investor whose focus is on unloved stocks and limiting downside. When I consider investing in a stock, I pay a lot of attention to any potential risk that could affect the share price, and ESG factors are key considerations. At Fidelity, our research analysts carefully consider ESG as part of their in-depth fundamental analysis and highlight any potential issue. However, rather than simply looking at a company's track record and avoiding poor ESG performers altogether, we engage with company management and discuss our concerns and their plans going forward. This not only encourages improved practices, but can also be a source of value creation as any improvements can then translate into share price re-ratings. For instance, we invested in UK-listed global utility firm ContourGlobal when it was shunned by ESG-conscious investors, but through engagement with the company we could see a marked shift in the outlook of management. The company recently announced that it had scrapped plans to build a coal-fired power plant in Kosovo and said it would make no further coal plant investments globally. The stock has been one of the portfolio's strongest performers this year.

## Question

How concerned are you about Brexit?

## Answer

Aside from the evolution of the COVID-19 pandemic, the Brexit negotiations are also front of mind. The outcome of the negotiations between the UK and EU is hard to predict, and the deadline to reach an agreement is fast approaching. It is clearly in both parties' interest to reach some form of agreement before the end of the transition period this year. A no-deal scenario would clearly be a negative outcome and would result in extra trade frictions and costs for companies. Having said that, the robustness of UK supply chains through the COVID-19 crisis does give us some comfort that this is a lower risk than we and others perceived it to be and companies are better prepared. We continue to monitor the situation closely.

## Question

What is your outlook for the next twelve months?

## Answer

In the near term, there remains a lot of uncertainty about the evolution of the pandemic, and the availability of an effective vaccine will be a key part of the solution to allow households and businesses to further resume normal activity. A successful outcome of the negotiations between the UK and EU would also help lift investors' optimism towards UK equities, which continue to be under-owned and trade at a meaningful discount to other equity markets. Improved clarity on these matters as well as any recalibration in interest rates expectations may well be the catalyst for investors to broaden their investment horizons beyond the narrow range of secular growth stocks currently in favour.

In the meantime, this leaves large swathes of the market overlooked, and exceptional value can be found across a broad range of sectors. While clearly it is essential to be selective, and our focus is very much on those stocks with a margin of safety and evidence of positive change, even here fundamentals are not reflected in valuations. Take a stock like insurer Aviva, one of our largest holdings, it trades on 5x 2021 earnings, despite reporting strong first half results that underlined its resilience during the COVID-19 crisis. The company has recently appointed an impressive new CEO in Amanda Blanc and is implementing far reaching strategic changes aimed at refocusing on its core businesses in the UK, Ireland and Canada. The disposal of a number of its international businesses is under way, and a deal for its Singapore operations has just been announced valuing it at close to 19x earnings. The company also has significant scope to improve its cost base, another key initiative. This exemplifies the type of opportunities that can be found where valuations are extremely attractive, change is afoot, but the market is unwilling to give these stocks any credit in the current environment.

The recent period has been painful for value investors, but it sets up a very attractive opportunity-set and very good upside potential from here. We are finding a lot of individual investment opportunities, of better quality than would normally be the case, and are taking advantage of these unusual circumstances by increasing the number of holdings and the Company's gearing. We believe the portfolio offers great value, which is further amplified by the Company's current discount, making for a good valuation starting point for investments.

## Alex Wright

Portfolio Manager  
4 November 2020





# Top 10 Holdings

as at 31 August 2020

(based on Gross Asset Exposure expressed as a percentage of Shareholders' Funds)

## Industry Life Insurance



### Legal & General Group

**Gross Asset Exposure** 4.6%

Legal & General Group is one of a number of life insurers with strong positions in pensions and retirement income held in the Company. The life insurance sector offers an attractive combination of cheap valuations, strong demand/supply fundamentals and growing earnings. The cyclical nature of these businesses is lower than it was and their solvency significantly better than during the financial crisis. The improved disclosure by these companies during the COVID-19 crisis further strengthened our conviction and recent results demonstrated their improved resilience. We believe that the durability of the cash generation, ongoing potential for management actions and the likelihood of future deals are not currently reflected in valuations.

## Industry Life Insurance

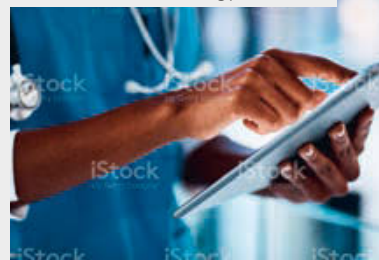


### Aviva

**Gross Asset Exposure** 4.4%

Aviva is a composite insurer that provides life, non-life and asset management services, and benefits from the same dynamics as those mentioned for Legal & General Group. With a new CEO at the helm, the company is implementing far reaching strategic changes aimed at refocusing on its core businesses in the UK, Ireland and Canada. The company also has significant scope to improve its cost base, another key initiative.

## Industry Pharmaceuticals & Biotechnology



### Roche Holdings

**Gross Asset Exposure** 4.0%

Roche Holdings is a global leader in cancer treatments and in-vitro diagnostics. Roche benefits from the largest mid-late stage pipeline among the EU Pharma majors. It has a number of best-in-class newly launched products that have the potential to drive strong revenue growth. While patents on three of its top-selling cancer drugs have expired, market share erosion from biosimilars is slow giving Roche's new drugs time to fill the gap.

## Industry Tobacco



### Imperial Brands

**Gross Asset Exposure** 3.7%

Imperial Brands is a core tobacco business that remains cash generative and has a loyal customer base which translates into a consistent earnings stream. The stock has historically suffered from poor execution on its next generation products (currently a loss-making part of the business), and improved execution in that area would have a positive impact on earnings and its longer term outlook. The company has brought in a new CEO with relevant experience to address this. It has also reset its dividend policy to a more sustainable level to accelerate debt repayment. This, along with the sale of its premium cigar business, forms part of a revised capital allocation policy with a view to de-risking the business and further strengthening its balance sheet.

## Industry Support Services

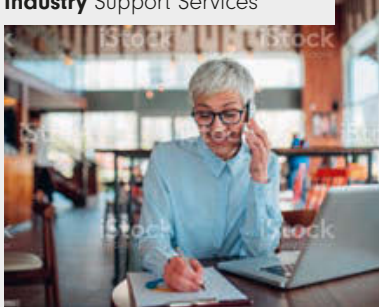


### Serco Group

**Gross Asset Exposure** 3.6%

Serco Group is a transformed business under current management and its outsourcing group's turnaround is ongoing and its margins are yet to reflect bidding discipline, improved contract performance and overhead control. The company's performance through the lockdown highlighted the resilience of its business model thanks to government contracts. The short term impact from the lockdown on more sensitive areas such as transport was more than offset by new additional COVID-19 related work, whose likely duration seems underestimated by the market. Cash flow is also set to improve significantly over the next couple of years, which opens the door for the reinstatement of a dividend and accretive M&A activity.

## Industry Support Services



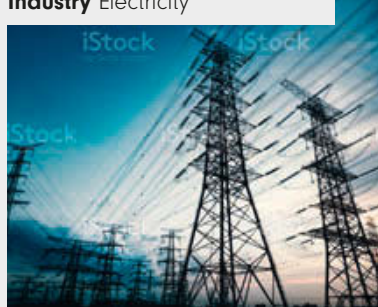
### DCC

#### Gross Asset Exposure

3.6%

DCC is a fuel-to-medical products conglomerate which has grown earnings consistently, largely driven by M&A activity. Armed with a healthy balance sheet, DCC has a broad acquisition opportunity set in a highly fragmented market. While the company is not immune to the effects of COVID-19, it is much better positioned than many and the weaker oil price could provide additional M&A opportunities. The group has positive long term prospects supported by strong cash conversion with low capital intensity.

## Industry Electricity



### ContourGlobal

#### Gross Asset Exposure

3.5%

ContourGlobal is an independent power producer which operates a portfolio of assets diversified across fuel types and geographies. More than 90% of the group's revenues are secured under long term contracts resulting in low-risk long term cash flows. With no core markets or annual installed capacity targets, the company takes a much more opportunistic approach to growth focusing on assets that are either badly run or un-loved by larger utilities. Earnings growth is achieved by turning these plants around operationally and selling them on whenever profitable.

## Industry Aerospace & Defense



### Ultra Electronics Holdings

#### Gross Asset Exposure

3.2%

Ultra Electronic Holdings is an aerospace and defense group that is being turned around under new management. Its first half 2020 results demonstrated the benefits of the company's renewed focus on niche capabilities in areas of priority defense spending, with increasing order momentum consisting of long term contracts, despite the disruption caused by COVID-19. The new CEO has a track record of successfully executing similar turnarounds in prior roles. Ultra Electronics derives more than 50% of their revenues from North America, a market with strong growth potential.

## Industry Construction & Materials



### CRH

#### Gross Asset Exposure

3.0%

CRH is a leading building materials business, with strong local market positions across a number of different categories. Despite the disruptions from COVID-19 in some of its key markets, CRH announced strong first half 2020 results underlining good cost control. The company remains in cost cutting mode and continues to demonstrate an impeccable pricing discipline. CRH has a strong track record of generating value through bolt-on acquisitions along with opportunistic large deals and has a strong balance sheet to take advantage of potential opportunities in the market.

## Industry Financial Services



### John Laing Group

#### Gross Asset Exposure

2.9%

John Laing Group develops, owns and operates infrastructure assets such as toll roads and windfarms. Its flexible business model allows it to sell its assets to infrastructure investors or hold them to maturity. Recently, the company has grappled with performance issues related to its renewable energy projects, but it has instigated a sale process for some of its badly impacted assets. We would welcome a refocus on Public Private Projects where the group has an excellent track record. The company should continue to benefit from a growing pipeline of opportunities, given infrastructure spending across G6 economies has fallen, and ageing infrastructure is often in pressing need of investment.

# Portfolio Listing

as at 31 August 2020

The Gross Asset Exposures shown below and on pages 13 and 14 measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

	Gross Asset Exposure £'000	% <sup>1</sup>	Balance Sheet Value £'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Legal &amp; General Group (long CFD)</b> – Life Insurance	26,553	4.6	3,055
<b>Aviva (long CFD)</b> – Life Insurance	25,525	4.4	3,272
<b>Roche Holdings</b> – Pharmaceuticals & Biotechnology	22,905	4.0	22,905
<b>Imperial Brands</b> – Tobacco	21,303	3.7	21,303
<b>Serco Group</b> – Support Services	20,836	3.6	20,836
<b>DCC</b> – Support Services	20,781	3.6	20,781
<b>ContourGlobal</b> – Electricity	20,037	3.5	20,037
<b>Ultra Electronics Holdings</b> – Aerospace & Defense	18,562	3.2	18,562
<b>CRH (shares and long CFD)</b> – Construction & Materials	17,631	3.0	6,239
<b>John Laing Group</b> – Financial Services	16,882	2.9	16,882
<b>Phoenix Group Holdings</b> – Life Insurance	16,747	2.9	16,747
<b>Pearson</b> – Media	15,552	2.7	15,552
<b>Sanofi (long CFD)</b> – Pharmaceuticals & Biotechnology	14,157	2.4	(1,041)
<b>Mylan</b> – Pharmaceuticals & Biotechnology	13,486	2.3	13,486
<b>Citigroup</b> – Banks	12,557	2.2	12,557
<b>Dixons Carphone</b> – General Retailers	12,102	2.1	12,102
<b>CLS Holdings</b> – Real Estate Investment & Services	11,643	2.0	11,643
<b>Halfords Group</b> – General Retailers	11,427	2.0	11,427
<b>Meggitt</b> – Aerospace & Defense	11,264	1.9	11,264
<b>Vodafone Group</b> – Mobile Telecommunications	10,677	1.8	10,677
<b>Smart Metering Systems</b> – Support Services	10,101	1.8	10,101
<b>Ericsson</b> – Technology Hardware & Equipment	9,415	1.6	9,415
<b>Essentra</b> – Support Services	8,930	1.5	8,930
<b>Mitie Group</b> – Support Services	8,168	1.4	8,168
<b>Cairn Homes</b> – Household Goods & Home Construction	8,079	1.4	8,079
<b>LSL Property Services</b> – Real Estate Investment & Services	7,811	1.4	7,811
<b>Glenveagh Properties</b> – Household Goods & Home Construction	7,190	1.3	7,190
<b>CPL Resources (long CFDs)</b> – Support Services	7,061	1.2	795
<b>Base Resources</b> – Mining	7,022	1.2	7,022
<b>Sylvania Platinum</b> – Mining	6,949	1.2	6,949
<b>Royal Dutch Shell</b> – Oil & Gas Producers	6,841	1.2	6,841
<b>Spire Healthcare Group</b> – Health Care Equipment & Services	6,797	1.2	6,797
<b>ArcelorMittal</b> – Industrial Metals & Mining	6,777	1.2	6,777
<b>Chemring Group</b> – Aerospace & Defense	6,711	1.2	6,711



	Gross Asset Exposure £'000	% <sup>1</sup>	Balance Sheet Value £'000
<b>BP</b> – Oil & Gas Producers	6,568	1.1	6,568
<b>ADO Properties</b> – Real Estate Investment & Services	6,562	1.1	6,562
<b>H&amp;T Group</b> – Financial Services	6,521	1.1	6,521
<b>Brooks Macdonald Group</b> – Financial Services	6,510	1.1	6,510
<b>Inchcape</b> – Support Services	6,373	1.1	6,373
<b>William Hill</b> – Travel & Leisure	6,267	1.1	6,267
<b>Babcock International Group</b> – Aerospace & Defense	6,199	1.1	6,199
<b>AIB Group (long CFD)</b> – Banks	6,044	1.0	(253)
<b>Redde Northgate</b> – Support Services	5,987	1.0	5,987
<b>RHI Magnesita</b> – Industrial Engineering	5,975	1.0	5,975
<b>Quilter</b> – Financial Services	5,941	1.0	5,941
<b>Indivior</b> – Pharmaceuticals & Biotechnology	5,729	1.0	5,729
<b>Sports Direct International (shares and long CFD)</b> – General Retailers	5,357	0.9	3,352
<b>Grafton Group</b> – Support Services	5,051	0.9	5,051
<b>Perseus Mining</b> – Mining	4,903	0.8	4,903
<b>Central Asia Metals (long CFD)</b> – Mining	4,736	0.8	498
<b>Bank of Georgia Group</b> – Banks	4,499	0.8	4,499
<b>Endeavour Mining</b> – Mining	4,482	0.8	4,482
<b>Morgan Advanced Materials</b> – Electronic & Electrical Equipment	4,475	0.8	4,475
<b>RDI REIT</b> – Real Estate Investment Trusts	4,423	0.8	4,423
<b>Premier Miton Group</b> – Financial Services	4,403	0.8	4,403
<b>Finsbury Food Group</b> – Food Producers	4,393	0.8	4,393
<b>XPS Pensions Group</b> – Financial Services	4,258	0.8	4,258
<b>C&amp;C Group</b> – Beverages	4,122	0.7	4,122
<b>NatWest Group</b> – Banks	4,094	0.7	4,094
<b>Origin Enterprises</b> – Food Producers	4,078	0.7	4,078
<b>Cohort</b> – Aerospace & Defense	4,039	0.7	4,039
<b>Keller Group</b> – Construction & Materials	4,017	0.7	4,017
<b>Zegona Communications</b> – Fixed Line Telecommunications	3,944	0.7	3,944
<b>Sherborne Investors Guernsey</b> – Financial Services	3,923	0.7	3,923
<b>Tharisa</b> – Mining	3,576	0.6	3,576
<b>Studio Retail Group</b> – General Retailers	3,413	0.6	3,413
<b>Photo-Me International</b> – Leisure Goods	3,123	0.5	3,123
<b>Vivo Energy</b> – General Retailers	2,985	0.5	2,985
<b>Just Group</b> – Life Insurance	2,889	0.5	2,889
<b>M&amp;C Saatchi</b> – Media	2,623	0.4	2,623
<b>Westgold Resources</b> – Mining	2,492	0.4	2,492
<b>McCarthy &amp; Stone</b> – Household Goods & Home Construction	2,483	0.4	2,483

# Portfolio Listing continued

	Gross Asset Exposure £'000	% <sup>1</sup>	Balance Sheet Value £'000
<b>Norcros</b> – Construction & Materials	2,275	0.4	2,275
<b>Close Brothers Group</b> – Banks	2,256	0.4	2,256
<b>Equinor</b> – Oil & Gas Producers	2,122	0.4	2,122
<b>Triam Investors 1</b> – Equity Investment Instruments	2,114	0.4	2,114
<b>Gemfields Group (shares and long CFD)</b> – Mining	2,034	0.4	1,964
<b>GVC Holdings</b> – Travel & Leisure	1,987	0.3	1,987
<b>Wentworth Resources</b> – Oil & Gas Producers	1,929	0.3	1,929
<b>TBC Bank Group</b> – Banks	1,834	0.3	1,834
<b>Future</b> – Media	1,644	0.3	1,644
<b>Cairn Energy</b> – Oil & Gas Producers	1,596	0.3	1,596
<b>Kosmos Energy</b> – Oil & Gas Producers	1,587	0.3	1,587
<b>Electra Private Equity</b> – Equity Investment Instruments	1,458	0.3	1,458
<b>Redrow</b> – Household Goods & Home Construction	1,380	0.2	1,380
<b>Kin + Carta</b> – Support Services	1,274	0.2	1,274
<b>Vistry Group</b> – Household Goods & Home Construction	1,200	0.2	1,200
<b>SThree</b> – Support Services	954	0.2	954
<b>U &amp; I Group</b> – Real Estate Investment & Services	772	0.1	772
<b>Kingfisher</b> – General Retailers	760	0.1	760
<b>Hammerson</b> – Real Estate Investment Trusts	744	0.1	744
<b>Connect Group</b> – Support Services	720	0.1	720
<b>Worsley Investors</b> – Equity Investment Instruments	631	0.1	631
<b>Marwyn Value Investors</b> – Equity Investment Instruments	613	0.1	613
<b>Tesco</b> – Food & Drug Retailers	601	0.1	601
<b>WPP</b> – Media	592	0.1	592
<b>Keystone Investment Trust</b> – Equity Investment Instruments	527	0.1	527
<b>McColls Retail Group</b> – Food & Drug Retailers	504	0.1	504
<b>TVC Holdings</b> – Financial Services	284	–	284
<b>Brewin Dolphin</b> – Financial Services	195	–	195
<b>Stanley Gibbons Group</b> – General Retailers	130	–	130
<b>Gross Asset Exposure<sup>2</sup> (106 holdings)</b>	<b>660,653</b>	<b>114.0</b>	<b>569,436</b>
<b>Portfolio Fair Value<sup>3</sup></b>			<b>569,436</b>
<b>Net current assets (excluding derivative assets and liabilities)</b>			<b>10,069</b>
<b>Shareholders' Funds</b>			<b>579,505</b>

1 Gross Asset Exposure is expressed as a percentage of Shareholders' Funds.

2 Gross Asset Exposure comprises market exposure to investments of £563,763,000 (per Note 11: Investments on page 59) plus market exposure to derivative instruments of £96,890,000 (per Note 12: Derivative instruments on page 60).

3 Portfolio Fair Value comprises Investments of £563,763,000 plus derivative assets of £7,619,000 less derivative liabilities of £1,946,000 (per the Balance Sheet on page 49).

# Distribution of the Portfolio

as at 31 August 2020

The table below and on page 16 details the Distribution of the Portfolio based on Gross Asset Exposure which measures the exposure of the portfolio to market price movements as a result of owning shares and derivative instruments.

Shares, derivative instruments and fixed interest securities	UK %	Overseas %	2020 Gross Asset Exposure <sup>1</sup> %	Index <sup>2</sup> %	2019 Gross Asset Exposure <sup>1</sup> %
<b>Financials</b>					
Life Insurance	12.4	–	12.4	3.5	8.5
Financial Services	8.4	–	8.4	4.5	9.4
Banks	3.2	2.2	5.4	6.6	8.0
Real Estate Investment & Services	3.5	1.1	4.6	0.8	3.4
Equity Investment Instruments	1.0	–	1.0	6.8	0.9
Real Estate Investment Trusts	0.9	–	0.9	2.2	0.5
Non-life Insurance	–	–	–	1.2	–
	<b>29.4</b>	<b>3.3</b>	<b>32.7</b>	<b>25.6</b>	30.7
<b>Industrials</b>					
Support Services	15.4	1.2	16.6	5.8	10.3
Aerospace & Defense	8.1	–	8.1	1.6	9.3
Construction & Materials	4.1	–	4.1	1.5	7.4
Industrial Engineering	1.0	–	1.0	1.1	1.1
Electronic & Electrical Equipment	0.8	–	0.8	0.8	0.2
General Industrials	–	–	–	1.5	–
Industrial Transportation	–	–	–	0.3	–
	<b>29.4</b>	<b>1.2</b>	<b>30.6</b>	<b>12.6</b>	28.3
<b>Consumer Services</b>					
General Retailers	6.2	–	6.2	2.5	2.2
Media	3.5	–	3.5	3.5	5.3
Travel & Leisure	1.4	–	1.4	4.2	3.3
Food & Drug Retailers	0.2	–	0.2	2.2	0.1
	<b>11.3</b>	<b>–</b>	<b>11.3</b>	<b>12.4</b>	10.9
<b>Health Care</b>					
Pharmaceuticals & Biotechnology	1.0	8.7	9.7	10.2	7.1
Health Care Equipment & Services	1.2	–	1.2	1.0	0.1
	<b>2.2</b>	<b>8.7</b>	<b>10.9</b>	<b>11.2</b>	7.2
<b>Consumer Goods</b>					
Tobacco	3.7	–	3.7	3.7	2.3
Household Goods & Home Construction	3.5	–	3.5	4.1	2.4
Food Producers	1.5	–	1.5	0.8	0.3
Beverages	0.7	–	0.7	3.4	3.0
Leisure Goods	0.5	–	0.5	0.2	0.9
Personal Goods	–	–	–	2.9	–
	<b>9.9</b>	<b>–</b>	<b>9.9</b>	<b>15.1</b>	8.9

# Distribution of the Portfolio continued

Shares, derivative instruments and fixed interest securities	UK %	Overseas %	2020 Gross Asset Exposure <sup>1</sup> %	Index <sup>2</sup> %	2019 Gross Asset Exposure <sup>1</sup> %
<b>Basic Materials</b>					
Mining	4.9	1.3	6.2	7.6	4.9
Industrial Metals & Mining	-	1.2	1.2	0.1	1.7
Chemicals	-	-	-	0.8	1.1
Forestry & Paper	-	-	-	0.4	-
	<b>4.9</b>	<b>2.5</b>	<b>7.4</b>	<b>8.9</b>	<b>7.7</b>
<b>Oil &amp; Gas</b>					
Oil & Gas Producers	3.2	0.4	3.6	7.3	9.8
Oil Equipment, Services & Distribution	-	-	-	0.1	-
	<b>3.2</b>	<b>0.4</b>	<b>3.6</b>	<b>7.4</b>	<b>9.8</b>
<b>Utilities</b>					
Electricity	3.5	-	3.5	0.8	2.0
Gas, Water & Multiutilities	-	-	-	2.5	1.1
	<b>3.5</b>	<b>-</b>	<b>3.5</b>	<b>3.3</b>	<b>3.1</b>
<b>Telecommunications</b>					
Mobile Telecommunications	1.8	-	1.8	1.6	-
Fixed Line Telecommunications	0.7	-	0.7	0.6	0.5
	<b>2.5</b>	<b>-</b>	<b>2.5</b>	<b>2.2</b>	<b>0.5</b>
<b>Technology</b>					
Technology Hardware & Equipment	1.6	-	1.6	0.1	-
Software & Computer Services	-	-	-	1.2	0.4
	<b>1.6</b>	<b>-</b>	<b>1.6</b>	<b>1.3</b>	<b>0.4</b>
<b>Total Gross Asset Exposure before hedges</b>	<b>97.9</b>	<b>16.1</b>	<b>114.0</b>	<b>100.0</b>	<b>107.5</b>
<b>Hedging Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>(5.0)</b>
<b>Total Gross Asset Exposure</b>	<b>97.9</b>	<b>16.1</b>	<b>114.0</b>		
Total Gross Asset Exposure after the netting of hedges - 2019	83.2	19.3			102.5

<sup>1</sup> Gross Asset Exposure is expressed as a percentage of Shareholders' Funds.

<sup>2</sup> The FTSE All-Share Index which is the Company's Benchmark Index.



# Ten Year Record

as at 31 August 2020

As at 31 August	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Capital</b>										
Shareholders' funds (£m)	<b>579.5</b>	698.7	725.0	673.5	578.3	537.3	519.2	478.5	338.6	312.5
NAV per ordinary share (p) <sup>1,2</sup>	<b>199.81</b>	252.99	271.98	254.63	217.94	201.61	192.29	176.79	124.54	110.57
Share price (p) <sup>1</sup>	<b>181.60</b>	251.50	276.00	246.50	196.25	197.50	180.20	168.00	105.40	98.80
(Discount)/premium to NAV (%) <sup>2</sup>	<b>(9.1)</b>	(0.6)	1.5	(3.2)	(10.0)	(2.0)	(6.3)	(5.0)	(15.4)	(10.6)
<b>Revenue</b>										
Revenue return per ordinary share (p) <sup>1,2</sup>	<b>4.81</b>	8.65	5.70	5.33	4.15	3.39	3.10	3.40	2.65	2.29
Dividends per ordinary share (p) <sup>1</sup>	<b>5.80</b>	7.25 <sup>3</sup>	5.00	4.60	3.70	3.35	3.30	3.25	2.60	2.25
Ongoing charges (costs of running the Company) (%) <sup>2</sup>	<b>0.98</b>	0.97	1.04	1.06	1.10	1.10	1.12	1.21	1.24	1.23
<b>Gearing<sup>2</sup></b>										
Gross gearing (%) <sup>4</sup>	<b>14.0</b>	2.5	10.4	9.1	15.5	23.8	21.0	24.8	12.6	7.8
Net gearing (%) <sup>5</sup>	<b>14.0</b>	2.5	6.6	0.9	7.9	9.4	6.4	14.0	(0.9)	(2.2)
<b>Performance Total Returns</b>										
NAV (%) <sup>2</sup>	<b>-18.5</b>	-4.9	+8.7	+19.1	+9.9	+7.3	+10.7	+44.8	+15.0	-4.1
Share price (%) <sup>2</sup>	<b>-25.4</b>	-6.9	+14.0	+28.1	+1.1	+12.4	+9.2	+63.1	+9.2	-5.0
Benchmark Index (%)	<b>-12.6</b>	+0.4	+4.7	+14.3	+11.7	-2.3	+10.3	+18.9	+10.2	+7.3

1 Figures prior to 2015 have been restated to reflect the five for one sub-division of ordinary shares which took place on 29 June 2015.

2 Alternative Performance Measures.

3 Includes a special dividend of 1.50 pence per ordinary share.

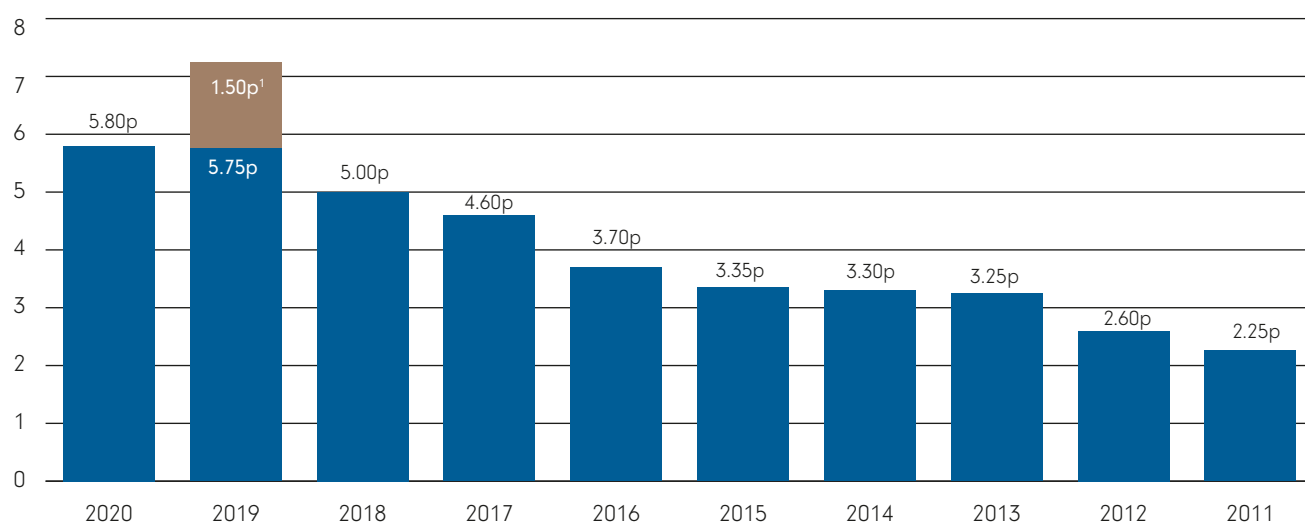
4 Gross gearing is the total of: long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds (see Note 19 on page 69).

5 Net gearing is the total of: long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds (see Note 19 on page 69).

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

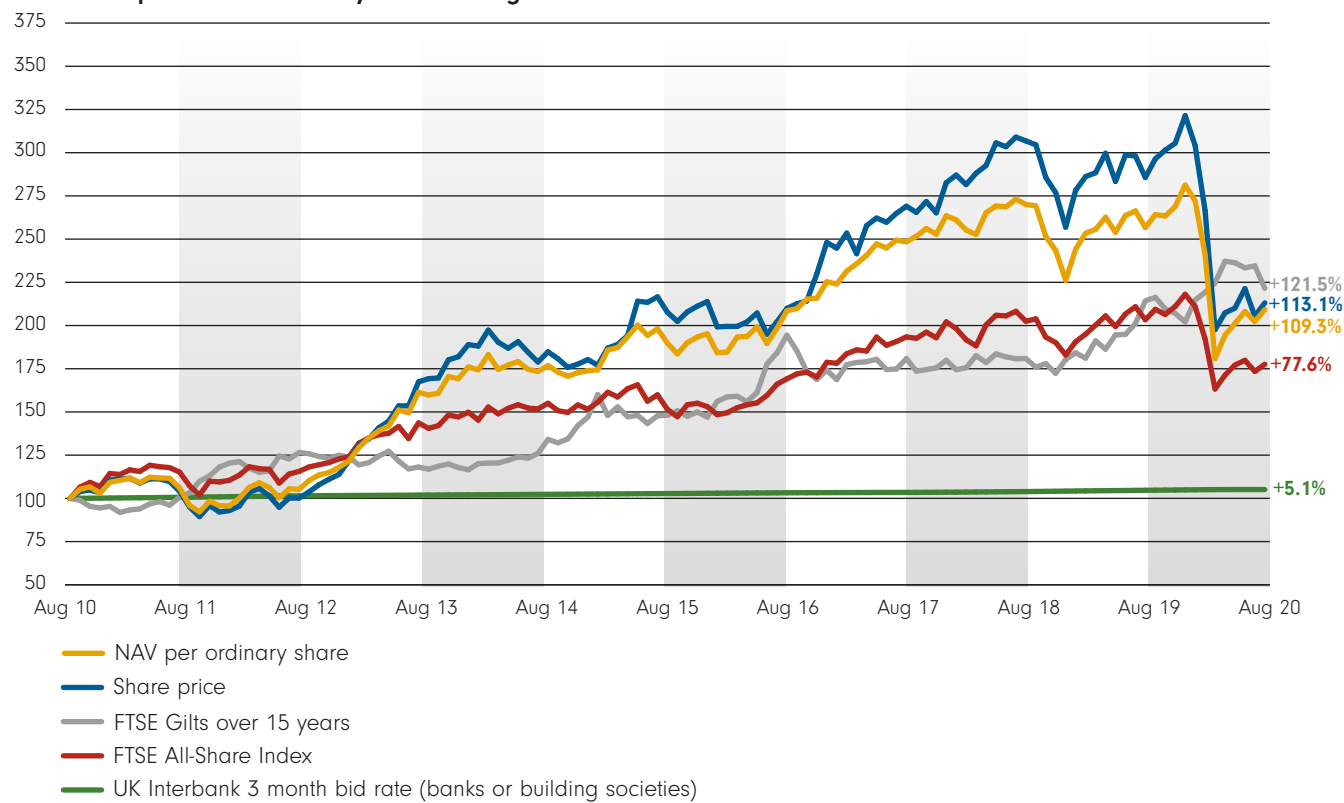
## Dividends per ordinary share for ten years to 31 August 2020 (pence)



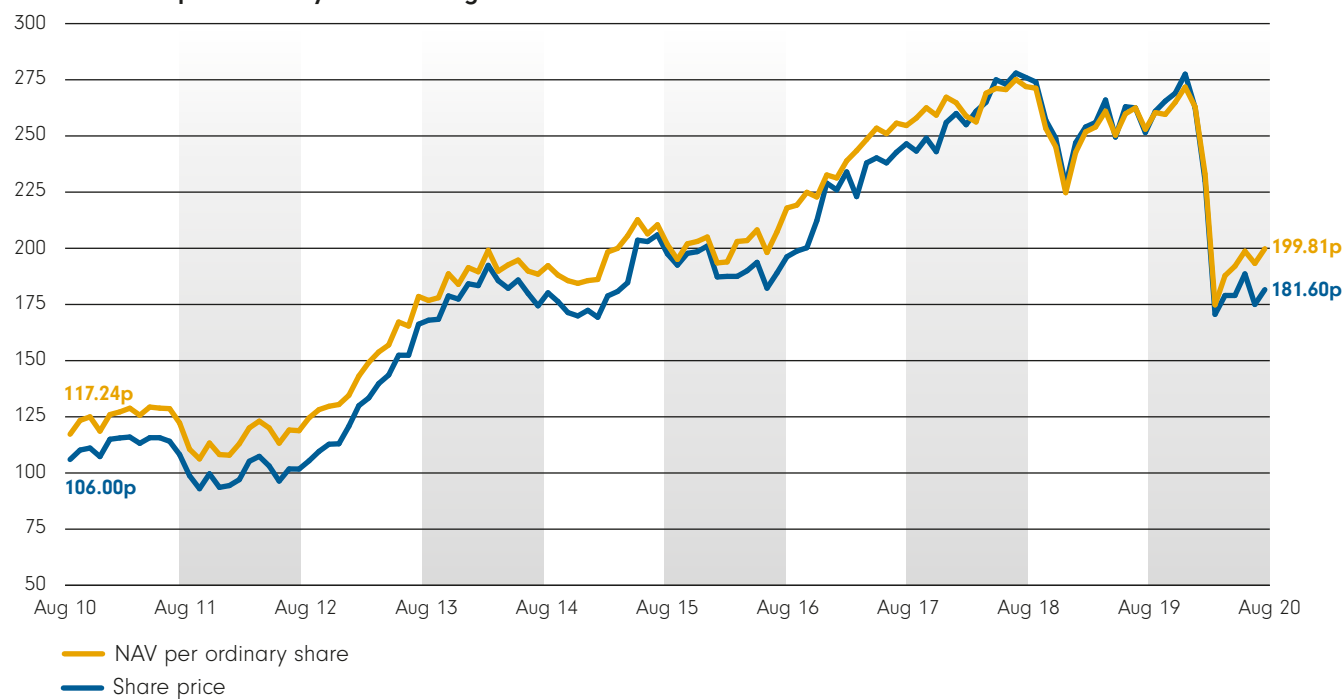
1 Special dividend from the substantial income generated for the year ended 31 August 2019.

# Summary of Performance Charts

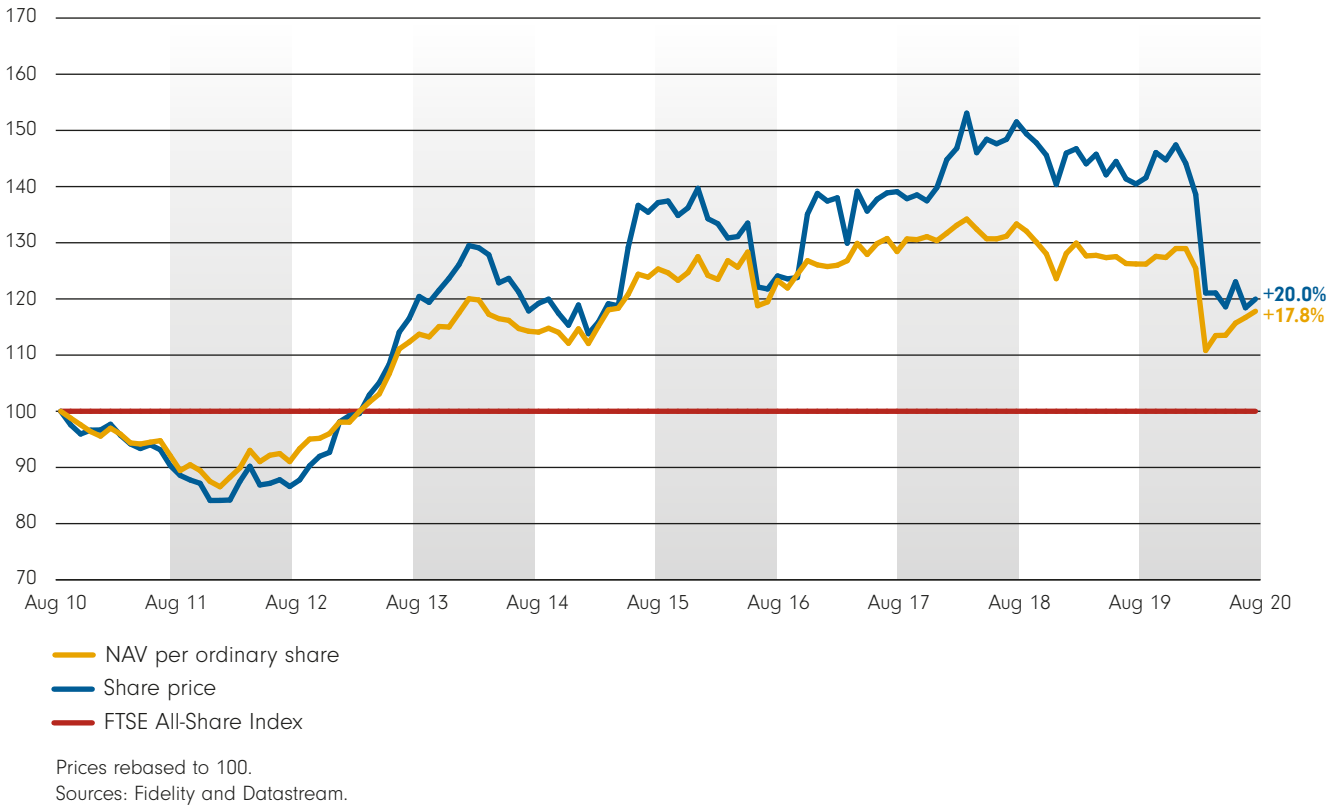
## Total return performance for ten years to 31 August 2020



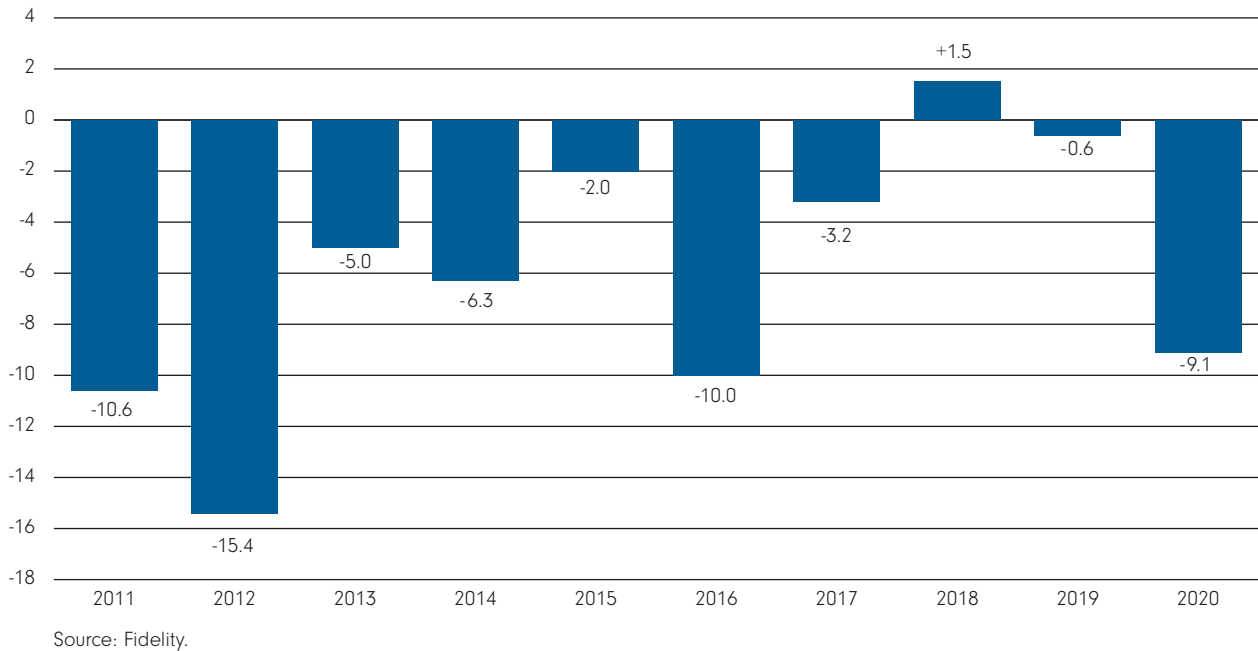
## NAV and share price for ten years to 31 August 2020



Total return performance relative to the Benchmark Index for ten years to 31 August 2020



Share price (discount)/premium to NAV for ten years to 31 August 2020 (%)



# Attribution Analysis

## Analysis of change in NAV total return for the year ended 31 August 2020

%

### Impact of:

Index	-12.7
Stock selection	-3.5
Gearing	-1.3
Share Issues	+0.1
Operational Costs	-0.9
Cash	-0.2

### NAV total return for the year ended 31 August 2020

-18.5

### Sector contributors and detractors (in absolute terms)

FSV Top 5 Sector Contributors	%
Pharmaceuticals & Biotechnology	0.9
Electricity	0.6
Technology Hardware & Equipment	0.3
Mining	0.3
Gas, Water & Multiutilities	0.1

FSV Bottom 5 Sector Detractors	%
Oil & Gas Producers	-4.4
Aerospace & Defense	-1.9
Financial Services	-1.9
Beverages	-1.4
Tobacco	-1.3

### Stock contributors and detractors (in absolute terms)

FSV Top 5 Stock Contributors	%
Roche Holdings	0.9
ContourGlobal	0.6
Chemring Group	0.6
Indivior	0.5
Ericsson	0.3

FSV Bottom 5 Stock Detractors	%
Royal Dutch Shell	-2.3
Meggitt	-1.9
BP	-1.5
C&C Group	-1.4
Imperial Brands	-1.3

Source: Fidelity.



# Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9 form part of the Strategic Report.

## Business and Status

The Company carries on business as an investment company and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

## Objective

The Company's objective is to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.

## Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of special situation investments, consisting primarily of UK listed companies. It has the benefit of investing up to 20% of the portfolio in listed companies on overseas exchanges in order to enhance Shareholder returns. As an investment company, it is able to gear the portfolio and the Board takes the view that long term returns for Shareholders can be enhanced by using gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to Fidelity. The Portfolio Manager aims to achieve a total return on the Company's assets over the longer term in excess of the equivalent return on the FTSE All-Share Index, the Company's Benchmark Index. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective. The Board recognises that investing in equities is a long term process and the Company's returns will vary from year to year.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 August 2020.

## Investment Management Philosophy, Style and Focus

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity's analysts evaluate companies, meet their management and speak to suppliers, competitors and customers in order to build up a picture of the true state of a company's fundamentals. This first-hand research is fundamental to Fidelity's ability to form a view of a company's future profitability and ultimately for the Portfolio Manager to decide if he considers it an attractive investment for our Shareholders. The Portfolio Manager works closely with the Fidelity analyst team and also has access to a wide range of research produced by third parties.

## Investment Policy

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities and instruments issued by or related primarily to UK companies.

The Company will have a blend of investments in larger, medium and smaller sized companies and be guided by a contrarian philosophy.

The Portfolio Manager has a contrarian style which focuses on significant valuation anomalies in stocks which are out of favour with other investors, yet show potential for change. The Portfolio Manager believes these opportunities exist across the market capitalisation spectrum, and the investment approach is flexible, with positions in large, medium and smaller sized companies. The proportions in each size category may vary over time, as investment opportunities are selected on a bottom up basis.

Investments typically have the following characteristics:

- Unrecognised potential for positive change: The Portfolio Manager wants to see evidence of the company embarking upon a period of positive change. Once this change begins to be recognised by the market, there is potential for substantial upside.
- Limited downside risk: The Portfolio Manager invests in companies where market expectations are low. They will have some asset or characteristic that should prevent significant falls in the share price.

The Benchmark of the Company against which performance is measured is the FTSE All-Share Index.

The Company may invest directly in the shares of companies or indirectly through equity-related instruments (such as derivative contracts, warrants or convertible bonds) and in debt instruments. The Company may also invest in unquoted securities, subject to the investment restrictions set out on page 22.

## Derivatives

The Company may utilise derivative instruments, including index-linked notes, CFDs, covered options and other equity-related derivative instruments as a tool to meet the investment objective of the Company.

Derivatives usage will focus on, but not be limited to the following investment strategies:

- As an alternative form of gearing to bank loans or bonds. The Company will purchase long CFDs that achieve an equivalent effect to bank gearing but normally at lower financing costs.
- To hedge equity market risks where the Portfolio Manager considers that suitable protection can be purchased to limit the downside of a falling market at a reasonable cost; and
- By taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

The Company will not undertake any naked shorts.

# Strategic Report continued

## Gearing

The Company may use gearing to enhance long term capital growth. The maximum level of gross gearing (defined in the Glossary of Terms on page 81) is 40%. Within this limit the Portfolio Manager has the discretion to use a range of instruments for gearing, such as debt and CFDs, depending on the relative cost and availability of those instruments. It is the current intention of the Board that, in normal market circumstances, the Portfolio Manager will maintain net gearing (defined in the Glossary of Terms on page 81) in the range of 0% to 20%. The level of gearing is considered by the Board at each of its meetings.

## Investment Restrictions

The Company will invest and manage its assets with an objective of spreading risk through the following investment restrictions:

- No single investment (excluding cash and cash equivalents), nor the aggregate investment in any one company, shall represent more than 10% of the Company's portfolio, measured as at the time of investment.
- No more than 20% of the portfolio will be invested in companies listed on overseas exchanges.
- The Company will not invest more than 5% of its gross assets in unquoted securities.
- The Company will not invest more than 15% of its gross assets at the time of investment in listed investment companies (including listed investment trusts), including no more than 10% of its gross assets at the time of investment in funds that do not have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

## Dividend Policy

The portfolio is managed actively in pursuit of capital growth. Hence, in any one year the dividend income received from investments will vary according to which stocks are owned during the reporting period and so will the dividend that will be paid. In order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

## Performance, Results and Dividends

The Company's performance for the year ended 31 August 2020 and a summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record, the Summary of Performance Charts and the Attribution Analysis are set out on pages 12 to 20.

The Company's results for the year ended 31 August 2020 are set out in the Income Statement on page 48. The revenue return was 4.81 pence and the capital loss was 51.59 pence, giving a total loss of 46.78 pence per ordinary share.

The Board recommends that a final dividend of 3.70 pence per ordinary share be paid on 14 January 2021 to Shareholders

who appear on the register as at the close of business on 4 December 2020 (ex-dividend date 3 December 2020). This is in addition to the interim dividend of 2.10 pence per ordinary share paid on 24 June 2020.

## Key Performance Indicators

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out in the tables below.

### Shareholder Total Returns

Share price total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC <sup>1</sup>	-25.4	-20.8	+2.6
Short term savings rate <sup>2</sup>	+0.6	+2.0	+2.9
Benchmark Index <sup>3</sup>	-12.6	-8.2	+17.3
Peer group <sup>4</sup>	-7.8	-8.5	+10.9

### NAV Total Returns

Net asset value total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC <sup>1</sup>	-18.5	-15.8	+10.3
Benchmark Index <sup>3</sup>	-12.6	-8.2	+17.3
Peer group <sup>4</sup>	-6.6	-7.5	+15.8

### Discount

Discount as at 31 August	2020 (%)	2017 (%)	2015 (%)
Fidelity Special Values PLC <sup>1</sup>	9.1	3.2	2.0
Peer group <sup>4</sup>	10.3	8.2	5.0

### Ongoing charges

Ongoing charges for the year ended 31 August <sup>5</sup>	2020 (%)	2017 (%)	2015 (%)
Fidelity Special Values PLC <sup>1</sup>	0.98	1.06	1.10

<sup>1</sup> Alternative Performance Measures.

<sup>2</sup> UK Interbank 3 month bid rate (banks or building societies).

<sup>3</sup> FTSE All-Share Index.

<sup>4</sup> AIC UK All Companies sector.

<sup>5</sup> Defined in the Glossary of Terms on page 82.

Sources: Fidelity and Datastream.

In addition to the KPIs set out above, the Board also monitors the factors contributing to investment results, as set out in the Attribution Analysis on page 20. Long term performance is also monitored and the Ten Year Record and Summary of Performance Charts showing this information are on pages 17 to 19.

## Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Audit Committee carried out a separate exercise in October 2019 to identify any new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies

and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks faced by the Company. The risks are unchanged from those reported in the prior year apart from the addition of the "Pandemic Risk" and some additional updates to the "Market, Economic and Political Risk" and expanding on the "Cybercrime Risk".

## EXTERNAL RISKS

Principal Risks	Description and Risk Mitigation
<b>Market, Economic and Political Risk</b>	<p>The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements and deflation/inflation. The Company may also be impacted by concerns over global economic growth and Brexit negotiations affecting the UK market and economy.</p> <p>The risk of the likely effects of COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review on pages 2 to 9. These risks are somewhat mitigated by the investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.</p> <p>Risks to which the Company is exposed to in the market risk category are included in Note 18 to the Financial Statements on pages 62 to 68 together with summaries of the policies for managing these risks.</p>
<b>Share Price Risk</b>	<p>Share prices are volatile and volatility is a risk for the short term shareholder likely to want to sell in the near future. The Board does not believe that volatility would be a significant risk for the long term shareholder.</p>
<b>Discount Control Risk</b>	<p>The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. However, the Board can influence this through its share repurchase policy and through creating demand for shares through good performance and an active investor relations program.</p> <p>The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.</p>
<b>Regulatory Risk</b>	<p>The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active engagement with regulators and trade bodies by the Manager.</p>
<b>Cybercrime Risk</b>	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security and technology teams and has resulted in the implementation of new tools and processes as well as improvements to existing ones. Fidelity has also established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance.</p> <p>Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and denial-of-services attacks. The Manager has a dedicated detect and respond resource specifically to monitor the Cyber threats associated with COVID-19.</p>

# Strategic Report continued

## INTERNAL RISKS

Principal Risks	Description and Risk Mitigation
<b>Investment Management Risk</b>	The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's Benchmark Index and its competitors and also considers the outlook for the market with the Portfolio Manager at each Board meeting. The emphasis is on long term investment performance as there is a risk for the Company of volatility of performance in the shorter term.
<b>Pandemic Risk</b>	<p>As the COVID-19 outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager has also imposed self-isolation arrangements on staff in line with Government recommendations and guidance.</p> <p>Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed by working from home or split team arrangements.</p> <p>The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.</p>
<b>Operational Risks – Service Providers</b>	The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based program of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns investigated. Risks associated with these services are generally rated as low, although the financial consequences could be serious, including reputational damage to the Company.

### Continuation Vote

A continuation vote takes place every three years. There is a risk that Shareholders do not vote in favour of continuation during periods when performance of the Company's NAV and share price is poor. At the AGM held on 12 December 2019, 99.90% of Shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2022.

### Viability Statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board considers long term to be at least five years, and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company's shares;
- The Company's share price premium/discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance over the five year reporting period to 31 August 2020 was a NAV total return of 10.3%, and a share price total return of 2.6% compared to a Benchmark Index total return of 17.3%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board



has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The portfolio comprises sufficient readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy;
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets; and
- The Board's assessment of the risks arising from COVID-19 as set out in the Principal Risks on page 24.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 29.

### PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed Investment Trust the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential Shareholders, the external appointed Manager (Fidelity), and other third party professional service providers. The Board considers that the interest of these stakeholders are aligned with the Company's objective of delivering long term capital growth to investors, in line with the Company's stated investment objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the

maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on page 22 of this report.

The Board places great importance on communication with Shareholders. The Annual General Meeting provides the key forum for the Board and Manager to present to the Shareholders on the Company's performance and future plans and, in normal circumstances, the Board encourages all Shareholders to attend, and raise questions and concerns. The Chairman and other Board members are available to meet Shareholders as appropriate, and Shareholders may also communicate with Board members at any time by writing to them at the Company's registered office or via the Company Secretary. The Portfolio Manager meets with major Shareholders, potential investors, stock market analysts, journalists and other commentators during the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring Shareholders' interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance ("ESG") issues aligns with the objective to deliver long term capital growth, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out in detail on pages 26 and 27.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Directors during the financial year, and up to the date of this report, have included:

- as part of ongoing Board succession and refreshment, the appointment and induction of Alison McGregor to the Board with effect from 1 January 2020;
- the raising of over £34 million from new share issuance, at a premium to net asset value, in order to satisfy investor demand over the year, also serving the interests of current Shareholders by reducing costs per share and helping to further improve liquidity;
- the decision to pay an interim dividend of 2.10 pence per share and a final dividend of 3.70 pence per share, to maintain the 11 year track record of increasing dividends, while retaining funds for reinvestment, consistent with the objective of long term capital growth;

# Strategic Report continued

- the appointment of a new corporate broker, following a change of personnel at our existing adviser. The Board met with the incumbent, and three further firms, and selected Winterflood Securities as best able to assist and advise in trading in the Company's shares, and in promoting the success of the Company to existing and new Shareholders;
- authorising the repurchase of 1,025,473 ordinary shares when the Company's discount widened into double digits post year end, in line with the Board's long term intention that the share price should trade at a level close to the underlying net asset value of the shares, so that Shareholders are seeing the full benefit of the Company's investments; and
- agreeing a reduction in the management fee with effect from 1 January 2021, providing cost savings to the Company and reducing the Ongoing Charges to help the Company remain competitive. Details of the new fee arrangement can be found in the Chairman's Statement on page 3.

## Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender. As at 31 August 2020, there were three female and three male Directors on the Board. This will change to two female and three male Directors when Nicky McCabe steps down from the Board on 14 December 2020.

The Board's composition exceeds the target of 33% of women on FTSE 350 Boards by 2020 set by the Hampton-Alexander Review.

## Environmental, Social and Governance in the Investment Process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at [www.fidelity.co.uk/responsible-investing](http://www.fidelity.co.uk/responsible-investing). Fidelity has embedded Environmental, Social and Governance ("ESG") factors in its investment decision making process. Fidelity has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis.

ESG integration at Fidelity International is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities, based on sector-specific key performance indicators across 99 individual and unique sub-sectors. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions.

Fidelity's approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research
- Company engagement
- Active ownership
- Collaboration within the investment industry

Examples of ESG factors that Fidelity's investment teams may consider as part of its company and industry analysis include:

- Corporate governance (e.g. Board structure, executive remuneration)
- Shareholder rights (e.g. election of directors, capital amendments)
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes)
- Physical threats (e.g. extreme weather, climate change, water shortages)
- Brand and reputational issues (e.g. poor health and safety record, cyber security breaches)
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations)
- Work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act)

Fidelity operates analyst training and development programmes which include modules on ESG themes, topics and strategies and attendance at external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

Fidelity uses a number of external research sources around the world that provide ESG-themed reports and it subscribes to an external ESG research provider and rating agency to supplement its organic analysis. Fidelity receives reports that include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally

and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

### **Socially Responsible Investment**

The Manager's primary objective is to produce superior financial returns for the Company's Shareholders. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns.

### **Corporate Engagement**

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. It delegates the responsibility for corporate engagement and Shareholder voting to the Manager who updates the Board on issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

### **Greenhouse Gas Emissions**

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint.

### **Future Developments**

Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and positions are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9.

By Order of the Board

**FIL Investments International**

Secretary

4 November 2020

# Board of Directors



**Andy Irvine**  
Chairman (since 5 July 2016)  
Appointed 15 April 2010



Andy Irvine is a Non-Executive Director of BlackRock North American Income Trust plc. He is a past Chairman of Montanaro European Smaller Companies PLC and of Jones Lang La Salle Scotland and has over 35 years' experience in commercial property development and investment. He is also a past Non-Executive Director of Securities Trust of Scotland PLC, a past Chairman of Celtic Rugby Limited, a past Chairman of the British and Irish Lions Limited and a past President of the Scottish Rugby Union.



**Nigel Foster**  
Appointed 1 September 2015



Nigel Foster has over 35 years' experience in the investment management industry. Prior to joining the Board, he was a Managing Director at BlackRock where he headed all market facing activities, including trading and capital markets for the EMEA region. He was also Global Head of Derivatives at BlackRock and predecessor firms for 27 years. He has led a number of prominent financial rescues and is the author of "The Derivatives Game", a book that traces the story of derivatives from ancient times to the present day.



**Claire Boyle**  
Chairman of the Audit Committee  
(since 12 December 2019)  
Appointed 24 June 2019



Claire Boyle is a Non-Executive Director and Chair of the Audit Committee of Aberdeen Japan Investment Trust PLC. She is also a Non-Executive Director of The Monks Investment Trust PLC. She was a Partner at Oxburgh Partners LLP with responsibility for the European Equity Hedge Fund and, prior to that, a European Equity Fund Manager at American Express Asset Management. She started her investment career with Robert Fleming Investment Management. She is a Chartered Accountant, having worked in fraud investigations at Coopers & Lybrand.



**Nicky McCabe**  
Appointed 9 December 2004



Nicky McCabe is a Non-Executive Director of Artemis Fund Managers, Aberdeen Asian Income Fund Limited, Bristol University, Vitality Life Limited and Discovery Holdings Europe Limited. She was previously Head of Fidelity's Investment Trusts, a Director and Chief Operating Officer of several Fidelity companies, having joined Fidelity in 1999 as Head of Investment Administration. Prior to this, she worked for HSBC Asset Management and McKinsey & Co.



**Dean Buckley**  
Senior Independent Director  
(since 12 December 2019)  
Appointed 3 November 2015



Dean Buckley is a Non-Executive Director of JPMorgan Asian Investment Trust plc, Smith & Williamson Fund Administration Ltd and Baillie Gifford & Co Limited. He was previously a Non-Executive Director of Saunderson House Ltd and Chief Executive Officer at Scottish Widows Investment Partnership. Prior to this, he held several positions at HSBC Bank plc, including Chief Executive Officer for HSBC Asset Management UK and Middle East and Chief Investment Officer for HSBC Asset Management, European equities, and held a number of senior Fund Manager positions at Prudential Portfolio Managers. He is a Fellow of the Institute of Actuaries.



**Alison McGregor**  
Appointed 1 January 2020



Alison McGregor is Chair of The Malcolm Group and is a Non-Executive Director of the Confederation of British Industries, Scottish Power Energy Network Holdings and Beatson Cancer Charity. She is an Advisor to the Board at Glasgow University Adam Smith Business School. She is Co-Chair of the Scottish Apprenticeship Advisory Board. In 2017, she was awarded the Scotland Corporate Leader of the Year Award and in 2018, the Women in Banking and Finance UK award for Achievement. She was the CEO of HSBC Scotland from 2014 to 2018, the Chair of CBI Scotland and a Non-Executive Director of Scottish Enterprise.

All Directors are Non-Executive Directors and all are independent, with the exception of Nicky McCabe.

## Committee membership key

Audit Management Engagement Nomination Committee Chair



# Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 August 2020.

The Company was incorporated in England and Wales as a public limited company on 27 September 1994 under the name of Fidelity Special Values PLC with the registered number 2972628 and commenced business as an investment trust on 17 November 1994.

## Management Company

FIL Investment Services (UK) Limited ("FIL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FIL, as the Manager, has delegated the portfolio management of assets and the role of company secretary to FIL Investments International.

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other, not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

FIL Limited has no beneficial interest in the shares of the Company (2019: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 34.

## Management Fee

Since 1 September 2018, the Company has had a tiered fee arrangement in place which is 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million. In addition, there is a fixed annual fee of £100,000 for services other than portfolio management. Fees for the reporting year were £5,627,000 (2019: £5,921,000) and are disclosed in Note 5 on page 56.

## Revised Management Fee from 1 January 2021

As mentioned in the Chairman's Statement on page 3, the Company will adopt a new fee arrangement with effect from 1 January 2021. The current tiered fee structure of 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million will be replaced by a single fee of 0.60% of net assets. In addition, the fixed annual fee of £100,000 for services other than portfolio management will be removed.

## The Board

All Directors, with the exception of Alison McGregor who was appointed on 1 January 2020, served on the Board throughout the year ended 31 August 2020. Sharon Brown served on the Board until she stepped down at the conclusion of the AGM on 12 December 2019. A brief description of all serving Directors as at the date of this Annual Report is shown on page 28 and

indicates their qualifications for Board membership.

## Directors' and Officers' Liability Insurance

In addition to benefits under the Manager's global Directors' and Officers' liability insurance arrangements, the Company maintains additional insurance cover for its Directors under its own policy as permitted by the Companies Act 2006.

## Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out in the Pandemic Risk in the Strategic Report on page 24. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 24 and 25.

## Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 14 December 2020.

## Disclosure of Information to the Company's Auditor

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this Annual Report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any audit information, and to establish that the Company's Auditor is aware of that information.

## Articles of Association

Any amendments to the Company's Articles of Association must be made by special resolution.

## Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 32 to 35.

## Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Asset Services as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 6 on page 56.

## Share Capital

The Company's issued share capital comprises ordinary shares of 5 pence each and are fully listed on the London Stock Exchange. As at 31 August 2020, the share capital of the Company was

# Directors' Report continued

290,029,480 shares (2019: 276,169,480). No shares were held in Treasury (2019: nil).

## Premium/Discount Management: Enhancing Shareholder Value

The Board actively manages the Company's level of premium/discount. If the Company is trading at a discount, it seeks to maintain the discount in single digits in normal market conditions. The Board seeks authority from Shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of Shareholders at the time.

## Share Issues

The Company issued a total of 13,860,000 ordinary shares from its block listing facility during the year to 31 August 2020 (2019: 9,620,000 issued from Treasury and its block listing facilities). No further ordinary shares have been issued since the year end and as at the date of this Annual Report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 14 December 2020 and therefore resolutions to renew these authorities will be put to Shareholders at this AGM.

## Share Repurchases

No ordinary shares were repurchased for cancellation or holding in Treasury during the year to 31 August 2020 (2019: nil). Since the year end and as at the date of this Annual Report, 1,025,473 ordinary shares have been repurchased into Treasury. No shares have been repurchased for cancellation.

The authority to repurchase shares expires at the AGM on 14 December 2020 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to Shareholders at the forthcoming AGM.

## Substantial Share Interests

As at 31 August 2020 and 30 September 2020, notification had been received that the Shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	31 August 2020	30 September 2020
Fidelity Platform Investors	23.34	23.07
Rathbones	8.20	7.99
Hargreaves Lansdown	6.26	6.20
Interactive Investor	5.57	5.57
Investec Wealth & Investment	4.70	4.65
Brewin Dolphin	4.41	4.39
Smith & Williamson Wealth Management	3.17	3.19
Tilney	3.06	3.21

An analysis of Shareholders as at 31 August 2020 is detailed in the table below.

Shareholders as at 31 August 2020	% of voting share capital
Private Shareholders <sup>1</sup>	86.54
Institutions	8.60
Pension	2.46
Insurance	1.78
Other	0.62

<sup>1</sup> Includes Fidelity Platform Investors (23.34%).

## Additional information required in the Directors' Report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 21 to 27.

## Responsibility as an Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity is a signatory to the UK Stewardship Code which sets out the responsibilities of institutional Shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at [www.fidelity.co.uk](http://www.fidelity.co.uk).

## Relations with Shareholders

Communication with Shareholders is given a high priority by the Board and it liaises with the Manager and the Company's Broker who are in regular contact with the Company's major institutional investors to canvass Shareholder opinion and to communicate its views to Shareholders. All Directors are made aware of any Shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors, are available to meet with Shareholders to discuss strategy and governance. The Board regularly monitors the Shareholder profile of the Company and receives regular reports from the Manager on meetings attended with Shareholders and any comments raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and Shareholders. If any Shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or write to the address provided on page 77. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, Senior Independent Director or the Board as a whole, as appropriate.

The Notice of Meeting on pages 73 to 75 sets out the business of the AGM and the special business resolutions are explained more fully on the next page. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the Meeting and related papers are sent to Shareholders at least 20 working days before the Meeting.

## Voting Rights in the Company's Shares

Every person entitled to vote on a show of hands has one vote. On a poll every Shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

## ANNUAL GENERAL MEETING

### THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

**If you are in any doubt as to the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.**

**In view of the public health impact of COVID-19 and in the interests of your well-being as investors, we have changed the format of the AGM this year. It will be virtual in nature, and we are actively encouraging you to vote by proxy or through investor voting facilities available to you. As mentioned in the Chairman's Statement on page 5, and as at the date of this report, current Government guidance stipulates that large gatherings of people are prohibited. Therefore, the AGM will be conducted as a closed session and will be restricted to the formal business of the meeting. An online presentation by the Chairman and Portfolio Manager will be made available on the day of the AGM at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues). We encourage all investors who have any questions or comments to contact the Secretary at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or write to the address provided on page 77, so that she can relay your comments to the Board, and we will respond in due course.**

### Fidelity Platform Investors – Voting at AGMs

If you hold your shares in the Company through the Fidelity platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. As attendance in person is not possible based on current Government guidance, Fidelity platform investors are advised to vote online via the Broadridge Service (a company that specialises in investor voting facilities) as explained in previous correspondence from Fidelity. Investors can sign up to this facility via their Fidelity Investor Account.

### Paperless Proxy Voting

Link Asset Services, the Registrar, introduced a paperless proxy voting process last year. However, in view of the public health impact of COVID-19 and your well-being as Shareholders, and as attendance in person is not possible at this year's AGM, we are sending a paper Proxy Form to all Shareholders who hold shares on the main share register so that you are able to vote in advance of the meeting.

*If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents as soon as possible to the*

*purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.*

At the AGM on 14 December 2020, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 73 and 74, including the items of special business summarised below.

### Authority to Allot Shares

Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,450,147. If passed, this resolution will enable the Directors to allot a maximum of 29,002,948 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury shares) as at 4 November 2020 and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of Shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

### Authority to Disapply Pre-emption Rights

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific Shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,450,147 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 4 November 2020 and equivalent to 29,002,948 ordinary shares).

### Authority to Repurchase Shares

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (43,321,700) of ordinary shares in issue (excluding Treasury shares) on 4 November 2020 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

**Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its Shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.**

By Order of the Board

**FIL Investments International**

Secretary

4 November 2020

# Corporate Governance Statement

"Corporate governance" is the process by which the board of directors of a company look after shareholders' interests and by which it endeavours to enhance those interests (often referred to as "shareholder value"). Shareholders hold the Directors responsible for the stewardship of a company's affairs, delegating authority to the Directors to manage the Company on their behalf and holding them accountable for its performance.

This report, which forms part of the Directors' Report, explains how the Directors of Fidelity Special Values PLC (the "Company") deal with that responsibility, authority and accountability.

## Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This statement, together with the Statement of Directors' Responsibilities on page 39, set out how the principles have been applied.

The AIC Code can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk) and the UK Code on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

## Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations. All of its day to day management and administrative functions are delegated to the Manager.

## The Corporate Governance of an Investment Trust Company

The corporate governance of most investment companies is different from most other commercial companies in one important respect: they do not employ their own people as management but instead the services of a fund management company. This affects the way investment companies are governed but not the purpose of their governance. Given that the Manager's business is not dedicated solely to the interests of investment companies and their Shareholders, investment company boards must be largely independent of management. However, the Board must have knowledge and experience of both fund management and investment company management. The Company was established and is managed and promoted by its Manager, which is therefore one of the main reasons some Shareholders choose to invest in the Company's shares. It follows that it is an important aspect of the corporate governance of the Company that its Manager should be party to the responsibility, authority and accountability to those investing in their management.

## The Corporate Governance Policies and Modus Operandi of Fidelity Special Values PLC

The corporate governance of any investment company, while following the guidelines of the AIC Code, will vary in certain respects depending on its own circumstances. The Board of the Company has considered its own circumstances and determined its own corporate governance policies and modus operandi.

In this section we have outlined the corporate governance policies and modus operandi through the following three aspects of corporate governance: Responsibility, Authority and Accountability. It is, first of all, important that Shareholders have confidence in the Board of Directors, whom they hold responsible and accountable for the Company's affairs.

In determining the guidelines for the composition of the Board, the Directors believe that there should be a clear majority of Board members (including the Chairman), who are independent of management, and that within the Board there is understanding and experience of investment management, investment company management, the investment objective of the Company, marketing, general business experience and finally of Fidelity's investment philosophy and its operations.

The Directors recognise that any individual employed by or materially associated with the Manager cannot be regarded as independent. In the past, there has only ever been one Fidelity member serving as a Director on the Board. Details of the Directors' current business associations are set out on page 28. All of the independent Directors are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, all Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Board follows a procedure of notification of any interests that may arise as part of considering any potential conflicts.

All of the Directors are Non-Executive. Each Director's individual independence, including that of the Chairman, has been assessed and confirmed, taking into consideration:

- integrity, commitment, intelligent challenge;
- independence of mind and character;
- experience and knowledge of investment trusts, of the investment business generally and of Fidelity;
- financial literacy;
- conflicts of interest; and
- performance as a Director.

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Andy Irvine	5/5	1/1	n/a	1/1
Claire Boyle	5/5	1/1	3/3	1/1
Sharon Brown <sup>1</sup>	2/2	1/1	1/1	1/1
Dean Buckley	5/5	1/1	3/3	1/1
Nigel Foster	5/5	1/1	3/3	1/1
Nicky McCabe	5/5	1/1	n/a	n/a
Alison McGregor <sup>2</sup>	3/3	n/a	2/2	n/a

<sup>1</sup> Retired on 12 December 2019.

<sup>2</sup> Appointed on 1 January 2020.

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude ad hoc meetings for formal approvals.

The Board considers the tenure of each Director annually. A Director may serve more than nine years, provided that such Director is considered by the Board to continue to be independent and provides experience that remains relevant. In addition, each Director is subject to annual re-election, or election if newly appointed, by Shareholders.

The Board meets regularly to discharge its duties effectively and the table above gives the attendance record for the meetings held during the reporting year.

### Responsibility

Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company for the benefit of our Shareholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long term, fostering relationships with the Company's stakeholders and the desirability of the Company in maintaining a reputation for high standards of business conduct. Further details on promoting the success of the Company can be found in the Strategic Report on pages 25 and 26.

### Authority

The Board is furnished by Shareholders with the authority to manage the Company on their behalf, in order to discharge the responsibilities outlined above. The Board, being independent of the Manager (by majority), carries out its duties through Board meetings and Board appointed Committee meetings. The most important aspect of Directors' duties concerns the management of the Company's portfolio of assets and of the risk profile of its balance sheet. While the day-to-day investment management is delegated to the Manager, there are certain decisions retained and made by the Directors, including the payment of dividends, the share issue and share repurchase guidelines and the derivatives and gearing policies.

In structuring Board meetings, the Directors try to concentrate as much as possible of their regular Board meetings on (i) investment matters (including strategy, investment policy, gearing

and derivatives policies, portfolio and stock reviews, portfolio turnover, monitoring performance etc); and (ii) Shareholder value matters (including monitoring the premium or discount, share issues and share repurchases and the marketing of the Fidelity Platform Investors). The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board meets regularly with the Company's Broker to discuss Shareholder value and investor relation matters. The Manager meets with the larger Shareholders on a regular basis and reports back to the Board on those meetings. The Chairman also attends some of these meetings. Key representatives of the Manager attend each Board meeting, enabling the Board to discuss business matters further.

### BOARD COMMITTEES

The Board has three Committees, as set out below and on the next page, through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

#### The Audit Committee

The Audit Committee consists of Claire Boyle as Chairman, Dean Buckley, Nigel Foster and Alison McGregor. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 40 and 41.

#### The Management Engagement Committee Composition

The Management Engagement Committee is chaired by Andy Irvine and consists of all the Directors except Nicky McCabe due to her past connection with Fidelity.



# Corporate Governance Statement continued

## Role and Responsibilities

It is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remains competitive and reasonable for Shareholders. It meets at least once a year and reports to the Board, making recommendations where appropriate.

## Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee basis and also that of its peers. The Committee noted the Company's long term performance record and although the NAV and share price performance over five years is below that of the Benchmark Index, performance over the Portfolio Manager's tenure is strong. In addition, as mentioned in the Chairman's Statement on page 2, Shareholders should not expect consistent outperformance against the Benchmark Index every single year. The Committee also noted the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of Shareholders that the appointment of the Manager should continue. Details of the fee structure for the year ended 31 August 2020 and also the revised fee with effect from 1 January 2021 are in the Directors' Report on page 29.

## The Nomination Committee Composition

The Nomination Committee is chaired by Andy Irvine and consists of all the Directors.

## Role and Responsibilities

The Committee meets at least once a year and reviews the composition, size and structure of the Board. The Committee is responsible for succession planning and it is charged with nominating new Directors for consideration by the Board, and in turn for approval by Shareholders.

In respect of new Directors, the Board believes that it is important in the search for and recommendation of a candidate to the Board that it is controlled by the independent Directors who form the majority of this Committee. The Committee carries out its candidate search from the widest possible pool of talent based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender.

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operation and administration functions of the Company, together with a summary of their duties and responsibilities. Directors are encouraged to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. They also receive regular briefings from, amongst others, the AIC, the Independent Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution of each Director and concluded that each Director seeking election and re-election has been effective and continues to demonstrate commitment to their

role. This has been endorsed by the Board which recommends their reappointment by Shareholders at the forthcoming AGM. Alison McGregor being newly appointed will be subject to election at this AGM. The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the next AGM.

As part of the re-election process, an annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year. Accordingly, for the year ended 31 August 2020, the performance and contribution of the Chairman, each Director and the Manager was carried out using an external evaluation company, Lintstock Ltd., which had no connection with the Company or the Manager. It was concluded that the Chairman, each Director and the Manager had been effective and continues to demonstrate commitment to their roles. The tenure of individual Directors is also considered during the evaluation process.

Other than every third year when an external evaluation is undertaken, the Board evaluation process takes the form of written questionnaires and one to one discussions. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results.

## Accountability

Given that the Shareholders entrust the Board of Directors with the management of the Company's affairs, it is necessary that the Board accounts for itself to Shareholders. The process of accountability involves providing all the necessary information for Shareholders to make judgements about the Board's stewardship and performance through a full and informative annual financial report, a half-yearly financial report, the presentation of the Company's results and future prospects at the AGM and accessibility to the Board at any time via the Company Secretary.

The AGM is the occasion when the Board accounts for itself in a public meeting. It regards any bona fide issue that any Shareholder raises as one that should be put to all Shareholders at the AGM so that all those attending can hear any concerns expressed in an open forum and make their own judgement. The AGM provides Shareholders with an opportunity to vote on certain issues that are not ultimately delegated to the Board. This includes the election and re-election of Directors every year in addition to the normal matters of approving the financial statements, the appointment of the Independent Auditor, the issue of new shares and the repurchase of shares. Your Board has an established policy that enables Shareholders to decide whether they wish to continue the Company's existence by putting a "continuation vote" before the Shareholders at every third AGM. The next continuation vote will take place at the AGM in 2022.

## Directors' Remuneration

The level of Directors' fees is determined by the Board as a whole. Full details are disclosed in the Directors' Remuneration report on pages 36 and 37.

### Senior Independent Director

The Board has appointed Dean Buckley as Senior Independent Director. He fulfils the role as a sounding board for the Chairman, an intermediary for the other Non-Executive Directors as necessary, and to act as a channel of communication for Shareholders in the event that contact through the Chairman is inappropriate.

### The Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense.

### Supply of Information

The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. The Board receives this information in a timely manner and of a quality appropriate to enable it to discharge its duties.

### Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board, including service providers own internal control reports which are received by the Board on an annual basis. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the Independent Auditor and also includes consideration of internal controls of similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that this is an effective ongoing process in order to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 August 2020 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial and Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard Shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

### Whistle-Blowing Procedure

Part of the Managers' role in ensuring the provision of a good service pursuant to the Management Agreement, includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity has advised the Board that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

### Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

### Criminal Finances Act 2017

The Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

On behalf of the Board



**Andy Irvine**

Chairman

4 November 2020

# Directors' Remuneration Report

## Chairman's Statement

The Directors' Remuneration Report for the year ended 31 August 2020 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of Non-Executive Directors and has no chief executive officer and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

Ordinary resolutions to approve the Directors' Remuneration Report and the Remuneration Policy will be put to Shareholders at the AGM on 14 December 2020. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 42 to 47.

## Directors' Remuneration

The annual fee structure is as follows: Chairman – £41,000; Chairman of the Audit Committee – £31,750; and Director – £27,000. Fees were last changed on 1 September 2018. Increases in Directors' remuneration are made to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further Shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 12 December 2017, is set out below. The only change is in relation the requirement for the Company to carry out an externally facilitated evaluation every three years as a FTSE 350 company.

## The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable out-of-pocket expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office. Directors' fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated. The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees.

The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager, and research from third parties and it includes information on the fees of other similar investment trusts.

As a FTSE 350 company, and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance. This also includes input into the appropriate level of Directors' fees from an independent source.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's Annual General Meetings and can be obtained from the Company's registered office.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members.

## Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 12 December 2017 with 99.05% of votes cast in favour, 0.45% of votes cast against and 0.50% of votes were withheld. The next vote will be put to Shareholders at this year's AGM on 14 December 2020 and the votes cast will be disclosed on the Company's pages of the Manager's website at: [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues). The Policy has been followed throughout the year ended 31 August 2020 and up to the date of this report.

## Voting on the Directors' Remuneration Report

At the AGM held on 12 December 2019, 99.20% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 August 2019, 0.27% of votes were cast against and 0.53% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 August 2020 will be put to Shareholders at the AGM on 14 December 2020, and the votes cast will be disclosed on the Company's pages of the Manager's website at: [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

## Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £190,484 (2019: £173,699). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are disclosed in the table on the next page.

The fees for the year under review are higher than the prior year due to the crossover between Directors' retirements and appointments from the Board. This is part of the Board's succession planning.

	2021 Projected Fees (£)	2020 Fees (Audited) (£)	2020 Taxable Expenses (Audited) (£)	2020 Total (Audited) (£)	2019 Fees (Audited) (£)	2019 Taxable Expenses (Audited) (£)	2019 Total (Audited) (£)
<b>Remuneration of Directors</b>							
Andy Irvine	41,000	41,000	3,701	44,701	41,000	5,333	46,333
Claire Boyle <sup>1</sup>	31,750	30,417	1,705	32,122	5,019	-	5,019
Sharon Brown <sup>2</sup>	n/a	9,036	2,109	11,145	31,750	6,456	38,206
Dean Buckley	27,000	27,000	663	27,663	27,000	987	27,987
Nigel Foster	27,000	27,000	-	27,000	27,000	-	27,000
Nicky McCabe <sup>3</sup>	7,746	27,000	1,560	28,560	27,000	2,154	29,154
Alison McGregor <sup>4</sup>	27,000	18,000	1,293	19,293	n/a	n/a	n/a
<b>Total</b>	161,496	179,453	11,031	190,484	158,769	14,930	173,699

1 Appointed as Audit Chair on 12 December 2019.

2 Retired on 12 December 2019.

3 Retiring on 14 December 2020.

4 Appointed on 1 January 2020.

### Expenditure on Directors' Remuneration and Distributions to Shareholders

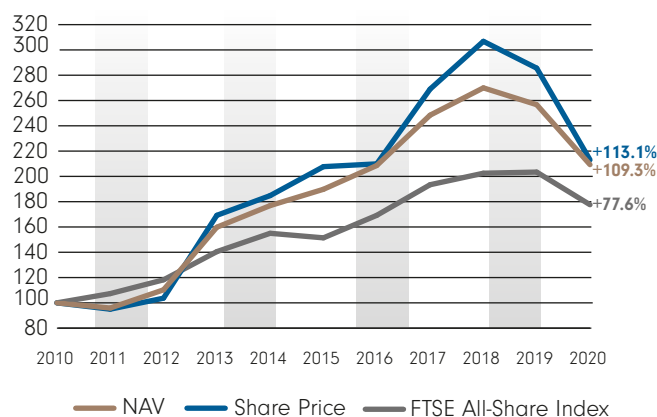
The table below shows the total amount paid out in Directors' remuneration and distributions to Shareholders. The projected Directors' remuneration for the year ending 31 August 2021 is disclosed in the table above.

	31 August 2020 £	31 August 2019 £
<b>Expenditure on Directors' Remuneration:</b>		
Fees and taxable expenses	190,484	173,699
<b>Distribution to Shareholders:</b>		
Dividend payments	20,575,000	14,213,000

### Performance

The Company aims to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market. The graph below shows performance over ten years to 31 August 2020.

#### Total return performance for ten years to 31 August 2020



# Directors' Remuneration Report continued

## Directors' Interest in Ordinary Shares

Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The interests of the Directors' in the ordinary shares of the Company are shown below. All of the shareholdings are beneficial.

### Directors' Shareholdings (Audited)

	31 August 2020	31 August 2019	Change during year
Andy Irvine <sup>1</sup>	200,000	75,000	125,000
Claire Boyle <sup>1</sup>	7,466	-	7,466
Sharon Brown <sup>2</sup>	n/a	15,600	-
Dean Buckley <sup>1</sup>	50,000	30,000	20,000
Nigel Foster <sup>1</sup>	73,000	70,000	3,000
Nicky McCabe	31,970	31,970	-
Alison McGregor <sup>1</sup>	29,803	n/a	29,803

<sup>1</sup> Purchase of shares.

<sup>2</sup> Retired on 12 December 2019.

The Portfolio Manager also holds ordinary shares in the Company.

All Directors' shareholdings remained unchanged at the date of this report, except for Andy Irvine who purchased 50,000 shares on 15 September 2020 and Nigel Foster who purchased 2,000 shares on 30 September 2020.

On behalf of the Board

**Andy Irvine**

Chairman

4 November 2020



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report which comply with that law and those regulations.

The Directors have delegated the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues) to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 4 November 2020 and signed on its behalf by:

**Andy Irvine**  
Chairman

# Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee (the "Committee") to Shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process for the year ended 31 August 2020. This report details how we carry out this role.

## Composition and Meetings

The members of the Committee are myself as Chairman, Dean Buckley, Nigel Foster and Alison McGregor. All Committee members are independent Non-Executive Directors, and their skills and experience are set out on page 28. The Committee considers that collectively the members have sufficient recent and relevant sector and financial experience to fully discharge their responsibilities.

The Committee met three times during this reporting year. The Committee invites the Company's Auditor and personnel from the Manager's financial, risk and internal audit functions to attend and report to the Committee on relevant matters. During the year, I also met privately with the Auditor and a representative from the Manager's risk function to give them an opportunity to raise any issues without management present. After each Committee meeting, I report to the Board on the main items discussed at the meeting.

Ahead of each AGM, the Committee's performance is evaluated as part of the overall Board evaluation as reported on page 34.

## Role and Responsibilities of the Audit Committee

The Committee's authority and duties are defined in its terms of reference, which were reviewed during the year and are available on the Company's pages of the Manager's website ([www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues)). The principal activities carried out during the year were:

- **Financial reporting:** we considered the Company's financial reports, including the significant accounting issues and the

## Significant issues considered by the Committee during the year

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 39. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements and how these issues were addressed.

appropriateness of the accounting policies adopted. We considered and are satisfied that, taken as a whole, the 2020 Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. We considered the impact of COVID-19 and reviewed the assessment of the Company as a going concern and also its viability over a five year time frame. This included a detailed review of the revenue that has been recognised in view of the number of dividends which have been cancelled or adjusted by companies in the portfolio and, in addition, the liquidity of the portfolio.

- **Internal audit:** we considered the scope of the internal audit of the Manager and the subsequent findings from this work, receiving regular reports from the internal audit function of the Manager. The Committee also monitored progress in the implementation of the Manager's internal audit recommendations;
- **Risk and internal control:** we had a Committee meeting to consider the key existing and emerging risks facing the Company and the adequacy and effectiveness of the internal controls and risk management processes. This also included a review of the Manager's contingency plans in response to the COVID-19 pandemic and its business continuity plans and operational resilience strategies in order to continue to meet regulatory obligations as well as continuing to serve and support investors and the Board. The Company's third party service providers have also implemented similar measures to ensure that there is no disruption in service. The Committee received sufficient assurance that the Manager's and third party service providers measures are working effectively; and
- **External Auditor:** we considered the independence, effectiveness and fees of the Auditor, as detailed later in this report.

## Recognition of Investment Income

Investment income is recognised in accordance with accounting policy Note 2(e) on page 52. The Manager provided detailed revenue forecasts and the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, including the AAF report prepared by PricewaterhouseCoopers LLP on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income.

## Valuation, existence and ownership of investments (including derivatives and unlisted investments)

The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(l) and 2(m) on pages 53 and 54. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the Depositary that the valuation, existence and ownership of investments had been verified. Unlisted investments are appraised by the Manager's Fair Value Committee ("FVC") in accordance with UK GAAP and International Private Equity and Venture Capital Valuation Guidelines. The Committee received information from the FVC and it reviewed and approved the proposed valuation methodologies for all unlisted investments. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including derivatives and unlisted investments.

The Company confirms that it has complied with the September 2014 Competition and Markets Authority Order in relation to the performance and appointment of the Auditor, as set out below.

### Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 August 2020. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 6 on page 56.

With regard to the independence of the Auditor, the Committee reviewed:

- The Auditor's arrangements for any conflicts of interest;
- The fact that no non-audit services were provided to the Company during the reporting year and as at the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards.

With regard to the effectiveness of the audit process, the Committee reviewed:

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 August 2020; and
- Feedback from the Manager on the audit of the Company.

The Committee concluded that the Auditor continues to remain independent and the audit process remains effective.

### Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process in 2015. The Committee reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the fifth year that the audit partner, Matthew Price, has been in place. A succession process is underway to identify Mr Price's replacement. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restricts the Company's choice of auditor.

### Claire Boyle

Chairman of the Audit Committee  
4 November 2020

# Independent Auditor's Report to the Members of Fidelity Special Values PLC

## Opinion

We have audited the Financial Statements of Fidelity Special Values PLC for the year ended 31 August 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related Notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 August 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 23 and 24 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 23 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 29 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 24 and 25 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement</li> <li>• Incorrect valuation or ownership of the investment portfolio and derivatives</li> <li>• Impact of COVID-19</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall materiality of £5.79m (2019: £6.99m) which represents 1% of net asset value of the Company as of 31 August 2020</li> </ul>

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those

which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement</b></p> <p><i>Refer to the Report of the Audit Committee (page 40); Accounting Policies (page 52); and Note 3 of the Financial Statements (page 55).</i></p> <p>The total revenue for the year to 31 August 2020 was £21.07m (2019: £31.00m), consisting primarily of dividend income from listed equity investments.</p> <p>The total amount of special dividends received by the Company during the year was £0.57m (2019: £8.90m) of which £0.30m (2019: £2.64m) was classified as revenue and £0.27m (2019: £6.26m) as capital.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>Walked through the revenue recognition and classification of special dividend processes to obtain an understanding of the design and implementation of the controls;</li> <li>For a sample of dividends, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source;</li> <li>To test the completeness of dividends, we agreed all dividends received on a sample of investments held from an independent data vendor to the income recorded by the Company;</li> <li>For all dividends accrued at the year end, we agreed the dividend entitlement to an independent data vendor and agreed the amount receivable to post year end bank statements; and</li> <li>We assessed the appropriateness of the Company's classification of material special dividends as revenue or capital with reference to publicly available information.</li> </ul>	<p>The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement. Based on the work performed we had no matters to report to the Audit Committee.</p>



# Independent Auditor's Report to the Members of Fidelity Special Values PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incorrect valuation or ownership of the investment portfolio and derivatives</b></p> <p><i>Refer to the Report of the Audit Committee (page 41); Accounting Policies (pages 53 and 54); and Notes 11 and 12 of the Financial Statements (pages 59 and 60).</i></p> <p>The valuation of the Investment portfolio held at the year end was £563.76m (2019: £635.54m), and the net derivative position was £5.67m (2019: £(14.85)m).</p> <p>As at 31 August 2020, the Company held one unlisted investment, with a total value of £0.28m (2019: £0.29m) representing 0.05% of the Company's net asset value.</p> <p>The valuation of the assets held in the investment portfolio and derivatives is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or failure to maintain proper legal title of the investments and derivatives held by the Company could have a significant impact on the portfolio and derivatives valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.</p> <p>The unlisted investment was priced using the last available trade price.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Walked through the investment valuation process to obtain an understanding of the controls;</li> <li>• For all investments in the portfolio and derivatives, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment and derivatives valuations as at the year end;</li> <li>• We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed and verified whether the listed price is a valid fair value; and</li> <li>• We compared the Company's investment and derivative holdings at 31 August 2020 to independent confirmations received directly from the Company's Custodian and brokers, testing any reconciling items to supporting documentation</li> </ul>	<p>The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio and derivatives. Based on the work performed we had no matters to report to the Audit Committee.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Impact of COVID-19</b></p> <p><i>Refer to the Strategic Report, pages 23 and 24, the Report of the Audit Committee, page 40 and the Accounting Policy set out on page 52.</i></p> <p>The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. As of the date of our audit report, the longer term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the Financial Statements.</p> <p>The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the Financial Statements in the following areas:</p> <p><b>Going concern</b> There is increased uncertainty in certain assumptions underlying Directors' assessment of future prospects, which includes the ability of the Company to fund ongoing costs.</p> <p><b>Financial Statements disclosures</b> There is a risk that the impact of COVID-19 is not adequately described in the Financial Statements.</p>	<p>We performed the following procedures:</p> <p><b>Going Concern</b></p> <ul style="list-style-type: none"> <li>We inspected the Directors' assessment of going concern, which includes consideration of the impact of COVID-19, and challenged the assumptions applied in the preparation of the revenue and expense forecast. We have agreed the inputs and assumptions used in the assessment to historically observed results of the Company.</li> </ul> <p><b>Financial Statements disclosures</b></p> <ul style="list-style-type: none"> <li>We reviewed the adequacy of the going concern disclosures by evaluating whether they were consistent with the Directors' assessment. We reviewed the disclosures for compliance with the reporting requirements.</li> </ul>	<p>As a result of our procedures, we have determined that the Directors' conclusion that there is no material uncertainty relating to going concern is appropriate. We have reviewed the disclosures relating to going concern and the impact of COVID-19 and determined that they are appropriate.</p>

We re-assessed the risks determined in the prior year and, due to the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Impact of COVID-19'. Our other Key Audit Matters are unchanged from the prior year.

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £5.79m (2019: £6.99m), which is 1% (2019: 1%) of net asset value of the Company as of 31 August 2020. We believe that net asset value provides the most important financial metric on which shareholders judge the performance of the Company.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £4.35m (2019: £5.24m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

# Independent Auditor's Report to the Members of Fidelity Special Values PLC continued

Given the importance of the distinction between revenue and capital for investment trusts, we also applied a separate testing threshold of £0.71m (2019: £1.2m) for the revenue column of the Income Statement, being 5% of net revenue return on ordinary activities before taxation.

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.30m (2019: £0.35m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 39** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Report of the Audit Committee set out on page 40** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 32** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal

control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and the Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur through key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's report.

### Other matters we are required to address

- We were appointed by the Company on 30 November 2015 to audit the Financial Statements for the year ending 31 August 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 August 2016 to 31 August 2020.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Matthew Price

Senior Statutory Auditor  
For and on behalf of Ernst & Young LLP  
Statutory Auditor  
London  
4 November 2020

### Notes:

1. The maintenance and integrity of the Fidelity International website is the responsibility of Fidelity International; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

# Income Statement

for the year ended 31 August 2020

	Notes	year ended 31 August 2020			year ended 31 August 2019		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Losses on investments	11	–	(131,085)	(131,085)	–	(40,929)	(40,929)
Losses on long CFDs	12	–	(11,820)	(11,820)	–	(23,287)	(23,287)
(Losses)/gains on short CFDs, futures and options	12	–	(1,905)	(1,905)	–	1,719	1,719
Investment and derivative income	3	20,282	–	20,282	30,335	–	30,335
Other interest	3	789	–	789	670	–	670
Derivative expenses	4	(75)	–	(75)	(63)	–	(63)
Investment management fees	5	(5,627)	–	(5,627)	(5,921)	–	(5,921)
Other expenses	6	(718)	–	(718)	(684)	(88)	(772)
Foreign exchange (losses)/gains		–	(2,641)	(2,641)	–	2,945	2,945
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>14,651</b>	<b>(147,451)</b>	<b>(132,800)</b>	24,337	(59,640)	(35,303)
Finance costs	7	(530)	–	(530)	(386)	–	(386)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>14,121</b>	<b>(147,451)</b>	<b>(133,330)</b>	23,951	(59,640)	(35,689)
Taxation on return/(loss) on ordinary activities	8	(360)	–	(360)	(454)	–	(454)
<b>Net return/(loss) on ordinary activities after taxation for the year</b>		<b>13,761</b>	<b>(147,451)</b>	<b>(133,690)</b>	23,497	(59,640)	(36,143)
<b>Return/(loss) per ordinary share</b>	9	<b>4.81p</b>	<b>(51.59p)</b>	<b>(46.78p)</b>	8.65p	(21.95p)	(13.30p)

The Company does not have any other comprehensive income. Accordingly the net return/(loss) on ordinary activities after taxation for the year is also the total comprehensive income for the year and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

No operations were acquired or discontinued in the year and all items in the above statement derive from continuing operations.



# Balance Sheet

as at 31 August 2020

Company number 2972628

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investments	11	563,763	635,539
<b>Current assets</b>			
Derivative instruments	12	7,619	3,028
Debtors	13	3,921	11,685
Amounts held at futures clearing houses and brokers		860	18,002
Cash and cash equivalents		9,802	49,088
		22,202	81,803
<b>Creditors</b>			
Derivative instruments	12	(1,946)	(17,879)
Other creditors	14	(4,514)	(795)
		(6,460)	(18,674)
<b>Net current assets</b>		15,742	63,129
<b>Net assets</b>		579,505	698,668
<b>Capital and reserves</b>			
Share capital	15	14,501	13,808
Share premium account	16	144,306	109,897
Capital redemption reserve	16	3,256	3,256
Other non-distributable reserve	16	5,152	5,152
Capital reserve	16	394,572	542,023
Revenue reserve	16	17,718	24,532
<b>Total Shareholders' funds</b>		579,505	698,668
<b>Net asset value per ordinary share</b>	17	199.81p	252.99p

The Financial Statements on pages 48 to 70 were approved by the Board of Directors on 4 November 2020 and were signed on its behalf by:



**Andy Irvine**  
Chairman

The Notes on pages 52 to 70 form an integral part of these Financial Statements.

# Statement of Changes in Equity

for the year ended 31 August 2020

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total Share- holders' funds £'000
<b>Total Shareholders' funds at 31 August 2019</b>		<b>13,808</b>	<b>109,897</b>	<b>3,256</b>	<b>5,152</b>	<b>542,023</b>	<b>24,532</b>	<b>698,668</b>
New ordinary shares issued	15	693	34,409	-	-	-	-	35,102
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(147,451)	13,761	(133,690)
Dividends paid to Shareholders	10	-	-	-	-	-	(20,575)	(20,575)
<b>Total Shareholders' funds at 31 August 2020</b>		<b>14,501</b>	<b>144,306</b>	<b>3,256</b>	<b>5,152</b>	<b>394,572</b>	<b>17,718</b>	<b>579,505</b>
<b>Total Shareholders' funds at 31 August 2018</b>		13,532	95,940	3,256	5,152	591,842	15,248	724,970
Issue of ordinary shares from Treasury	15	-	65	-	-	9,821	-	9,886
New ordinary shares issued	15	276	13,892	-	-	-	-	14,168
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(59,640)	23,497	(36,143)
Dividends paid to Shareholders	10	-	-	-	-	-	(14,213)	(14,213)
<b>Total Shareholders' funds at 31 August 2019</b>		13,808	109,897	3,256	5,152	542,023	24,532	698,668

# Cash Flow Statement

for the year ended 31 August 2020

	Notes	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>Operating activities</b>			
Investment income received		18,960	21,266
Net derivative income		4,236	4,559
Interest received		695	651
Investment management fee paid		(5,714)	(6,582)
Directors' fees paid		(179)	(168)
Other cash payments		(512)	(528)
<b>Cash flow from operating activities before finance costs and taxation</b>	21	<b>17,486</b>	19,198
Finance costs paid		(530)	(386)
Overseas taxation suffered		(625)	(778)
<b>Cash flow from operating activities</b>		<b>16,331</b>	18,034
<b>Investing activities</b>			
Purchases of investments		(335,753)	(305,329)
Sales of investments		284,973	330,094
Receipts on long CFDs		9,781	4,698
Payments on long CFDs		(41,630)	(16,093)
Receipts on short CFDs, futures and options		-	8,915
Payments on short CFDs, futures and options		(2,400)	(4,669)
Movement on amounts held at futures clearing houses and brokers		17,142	(15,767)
<b>Cash (outflow)/inflow from investing activities</b>		<b>(67,887)</b>	1,849
<b>Cash flow before financing activities</b>		<b>(51,556)</b>	19,883
<b>Financing activities</b>			
Dividends paid	10	(20,575)	(14,213)
Net proceeds from issue of shares		35,486	23,670
Cost of the issue of new ordinary shares	6	-	(88)
<b>Cash inflow from financing activities</b>		<b>14,911</b>	9,369
<b>Net movement in cash and cash equivalents</b>		<b>(36,645)</b>	29,252
<b>Cash and cash equivalents at the beginning of the year</b>		<b>49,088</b>	16,891
<b>Effect of movement in foreign exchange</b>		<b>(2,641)</b>	2,945
<b>Cash and cash equivalents at the end of the year</b>		<b>9,802</b>	49,088

The Notes on pages 52 to 70 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1 Principal Activity

Fidelity Special Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2972628, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

## 2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in October 2019.

**a) Basis of accounting** – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The Company's Going Concern Statement in the Directors' Report takes account of all events and conditions up to the date of approval of these Financial Statements and includes the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and the Board has concluded that the Company has adequate resources to adopt the going concern basis for at least twelve months from the date of this Annual Report.

**b) Significant accounting estimates and judgements** – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

**c) Segmental reporting** – The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

**d) Presentation of the Income Statement** – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

**e) Income** – Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case. Debt security interest is accounted for on an accruals basis and is credited to the revenue column of the Income Statement.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") are accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

Interest received on CFDs, bank deposits, collateral and money market funds are accounted for on an accruals basis and credited to the revenue column of the Income Statement.

**f) Derivative expenses** – Derivative expenses comprises interest paid on short CFDs, which is accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Derivative expenses are charged in full to the revenue column of the Income Statement.

# Notes to the Financial Statements continued

## 2 Accounting Policies continued

**g) Investment management fees and other expenses** – Investment management fees and other expenses are accounted for on an accruals basis and are charged as follows:

- Investment management fees are allocated in full to revenue; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

**h) Functional currency and foreign exchange** – The functional reporting and currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

**i) Finance costs** – Finance costs comprise interest paid on CFDs and interest on bank overdrafts, which are accounted for on an accruals basis. Finance costs are charged in full to the revenue column of the Income Statement.

**j) Taxation** – The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. Deferred tax assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

**k) Dividend paid** – Dividends payable to equity Shareholders are recognised when the Company's obligation to make payment is established.

**l) Investments** – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Unlisted investments are investments which are not quoted, or are not frequently traded, and are stated at the Directors' best estimate of fair value. The Manager's Fair Value Committee, which is independent of the portfolio management team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within losses on investments in the capital column of the Income Statement and has disclosed these costs in Note 11 on page 59.



# Notes to the Financial Statements continued

## 2 Accounting Policies continued

**m) Derivative instruments** – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs, futures, options and warrants. Derivatives are classified as other financial instruments and are initially accounted for and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract;
- Futures – the difference between the contract price and the quoted trade price; and
- Options – valued based on similar instruments or the quoted trade price for the contract.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included: for long CFDs, as gains or losses on long CFDs, and for short CFDs, futures and options as gains or losses on short CFDs, futures and options in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or creditors.

**n) Debtors** – Debtors include securities sold for future settlement, accrued income, taxation recoverable and other debtors and prepayments incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

**o) Amounts held at futures clearing houses and brokers** – These are amounts held in segregated accounts as collateral on behalf of brokers and are carried at amortised cost.

**p) Cash and cash equivalents** – Cash and cash equivalents may comprise cash and money market funds which are short term, highly liquid and are readily convertible to a known amount of cash. These are subject to an insignificant risk of changes in value.

**q) Other creditors** – Other creditors include securities purchased for future settlement, investment management fees and other creditors and expenses accrued in the ordinary course of business. If payment is due within one year or less (or in the normal operating cycle of the business, if longer) they are classified as current liabilities. If not, they are presented as non-current liabilities. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

**r) Capital reserve** – The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature; and
- Costs of repurchasing or issuing ordinary shares.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves, realised and unrealised, are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet.

### 3 Income

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>Investment income</b>		
UK dividends	11,678	17,885
UK scrip dividends	-	459
Overseas dividends	3,615	6,255
Overseas scrip dividends	274	748
Debt security interest	138	224
	15,705	25,571
<b>Derivative income</b>		
Dividends received on long CFDs	4,577	4,764
<b>Investment and derivative income</b>	20,282	30,335
<b>Other interest</b>		
Interest received on CFDs	94	19
Interest received on bank deposits, collateral and money market funds	695	651
	789	670
<b>Total income</b>	21,071	31,005

Special dividends of £276,000 (2019: £6,265,000) have been recognised in capital.

### 4 Derivative Expenses

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Dividends paid on short CFDs	71	6
Interest paid on short CFDs	4	57
	75	63

# Notes to the Financial Statements continued

## 5 Investment Management Fees

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Portfolio management services	5,527	5,821
Non-portfolio management services*	100	100
<b>Investment management fees</b>	<b>5,627</b>	<b>5,921</b>

\* Includes company secretarial, fund accounting, taxation, promotional and corporate advisory services.

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies.

FIL charges portfolio management fees on a tiered fee basis of 0.85% on the first £700 million of net assets and 0.75% of net assets in excess of £700 million. In addition, there is a fixed non-portfolio management services fee of £100,000 per annum.

## 6 Other Expenses

	year ended 31 August 2020		year ended 31 August 2019	
	revenue £'000	capital £'000	revenue £'000	capital £'000
AIC fees	22	-	22	-
Custody fees	20	-	19	-
Depository fees	54	-	56	-
Directors' expenses	21	-	19	-
Directors' fees <sup>1</sup>	179	-	159	-
Legal and professional fees	48	-	28	-
Marketing expenses	175	-	192	-
Printing and publication expenses	88	-	96	-
Registrars' fees	52	-	41	-
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements <sup>2</sup>	34	-	29	-
Sundry other expenses	25	-	23	-
Cost of the issue of new ordinary shares	-	-	-	88
<b>Other expenses</b>	<b>718</b>	<b>-</b>	<b>684</b>	<b>88</b>

<sup>1</sup> Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 37.

<sup>2</sup> The VAT payable on audit fees is included in sundry other expenses.

## 7 Finance Costs

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Interest paid on long CFDs	525	386
Interest on bank overdrafts	5	-
	<b>530</b>	<b>386</b>

## 8 Taxation on Return/(Loss) on Ordinary Activities

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>a) Analysis of the taxation charge for the year</b>		
Overseas taxation	360	454
<b>Taxation charge for the year (see Note 8b)</b>	<b>360</b>	<b>454</b>

### b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19% (2019: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Net loss on ordinary activities before taxation	(133,330)	(35,689)
Net loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	(25,333)	(6,781)
Effects of:		
Capital losses not taxable*	28,016	11,315
Income not taxable	(2,958)	(4,816)
Expenses not deductible	-	17
Excess management expenses	239	265
Adjustment to brought forward excess management expenses	36	-
Overseas taxation	360	454
<b>Total taxation charge for the year (see Note 8a)</b>	<b>360</b>	<b>454</b>

\* The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

### c) Deferred taxation

A deferred tax asset of £13,362,000 (2019: £11,741,000), in respect of excess expenses of £70,327,000 (2019: £69,067,000) available to be set off against future taxable profits has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

# Notes to the Financial Statements continued

## 9 Return/(Loss) per Ordinary Share

	year ended 31.08.20	year ended 31.08.19
Revenue return per ordinary share	4.81p	8.65p
Capital loss per ordinary share	(51.59p)	(21.95p)
<b>Total loss per ordinary share</b>	<b>(46.78p)</b>	<b>(13.30p)</b>

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the year divided by the weighted average number of ordinary shares held outside Treasury during the year, as shown below:

	£'000	£'000
Net revenue return on ordinary activities after taxation	13,761	23,497
Net capital loss on ordinary activities after taxation	(147,451)	(59,640)
<b>Net total loss on ordinary activities after taxation</b>	<b>(133,690)</b>	<b>(36,143)</b>

	number	number
Weighted average number of ordinary shares held outside Treasury	285,790,149	271,723,836

## 10 Dividends Paid to Shareholders

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>Dividends paid</b>		
Interim dividend of 2.10 pence per ordinary share paid for the year ended 31 August 2020	6,091	-
Final dividend of 3.65 pence per ordinary share paid for the year ended 31 August 2019	10,265	-
Special dividend of 1.50 pence per ordinary share paid for the year ended 31 August 2019	4,219	-
Interim dividend of 2.10 pence per ordinary share paid for the year ended 31 August 2019	-	5,780
Final dividend of 3.15 pence per ordinary share paid for the year ended 31 August 2018	-	8,433
	<b>20,575</b>	<b>14,213</b>
<b>Dividends proposed</b>		
Final dividend proposed of 3.70 pence per ordinary share paid for the year ended 31 August 2020	10,693	-
Final dividend proposed of 3.65 pence per ordinary share for the year ended 31 August 2019	-	10,201
Special dividend proposed of 1.50 pence per ordinary share for the year ended 31 August 2019	-	4,192
	<b>10,693</b>	<b>14,393</b>

The Directors have proposed the payment of a final dividend of 3.70 pence per ordinary share for the year ended 31 August 2020 which is subject to approval by Shareholders at the Annual General Meeting on 14 December 2020 and has not been included as a liability in these Financial Statements. The dividend will be paid on 14 January 2021 to Shareholders on the register at the close of business on 4 December 2020 (ex-dividend date 3 December 2020).



## 11 Investments

	2020 £'000	2019 £'000
Listed investments	563,479	635,252
Unlisted investments	284	287
<b>Total investments at fair value</b>	<b>563,763</b>	<b>635,539</b>
Opening book cost	600,132	611,877
Opening investment holding gains	35,407	93,120
<b>Opening fair value</b>	<b>635,539</b>	<b>704,997</b>
<b>Movements in the year</b>		
Purchases at cost	339,800	305,425
Sales – proceeds	(280,491)	(333,954)
Losses on investments	(131,085)	(40,929)
<b>Closing fair value</b>	<b>563,763</b>	<b>635,539</b>
Closing book cost	635,740	600,132
Closing investment holding (losses)/gains	(71,977)	35,407
<b>Closing fair value</b>	<b>563,763</b>	<b>635,539</b>

The Company received £280,491,000 (2019: £333,954,000) from investments sold in the year. The book cost of these investments when they were purchased was £304,192,000 (2019: £317,170,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

### Investment transaction costs

Transaction costs incurred in the acquisition and disposal of investments, which are included in the losses on investments above, were as follows:

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Purchases transaction costs	1,481	1,363
Sales transaction costs	153	243
	<b>1,634</b>	<b>1,606</b>

The portfolio turnover rate for the year was 52.1% (2019: 48.1%).

# Notes to the Financial Statements continued

## 12 Derivative Instruments

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>Losses on long CFDs</b>		
Losses on long CFD positions closed	(31,849)	(11,395)
Movement in investment holding gains/(losses)	20,029	(11,892)
	(11,820)	(23,287)
<b>(Losses)/gains on short CFDs, futures and options</b>		
Losses on short CFDs positions closed	(305)	(1,078)
Movement in investment holding gains on short CFDs	-	62
(Losses)/gains on futures contracts closed	(2,095)	3,718
Movement in investment holding gains/(losses) on futures	495	(1,553)
Movement in investment holding gains on options	-	570
	(1,905)	1,719

	2020 fair value £'000	2019 fair value £'000
<b>Derivative instruments recognised on the Balance Sheet</b>		
Derivative instrument assets	7,619	3,028
Derivative instrument liabilities	(1,946)	(17,879)
	5,673	(14,851)

	fair value £'000	2020 gross asset exposure £'000	fair value £'000	2019 gross asset exposure £'000
<b>At the year end the Company held the following derivative instruments</b>				
Long CFDs	5,673	96,890	(14,356)	115,375
Index futures – hedging exposures	-	-	(495)	(34,568)
	5,673	96,890	(14,851)	80,807

### 13 Debtors

	2020 £'000	2019 £'000
Securities sold for future settlement	41	4,523
Accrued income	3,078	6,284
Overseas taxation recoverable	744	479
UK income tax recoverable	37	-
Amounts receivable for issue of shares	-	384
Other debtors and prepayments	21	15
	<b>3,921</b>	<b>11,685</b>

### 14 Other Creditors

	2020 £'000	2019 £'000
Securities purchased for future settlement	3,919	146
Creditors and accruals	595	649
	<b>4,514</b>	<b>795</b>

### 15 Share Capital

	number of shares	2020 £'000	number of shares	2019 £'000
<b>Issued, allotted and fully paid ordinary shares of 5 pence each</b>				
<b>Held outside Treasury</b>				
<b>Beginning of the year</b>	276,169,480	13,808	266,549,480	13,328
Ordinary shares issued out of Treasury	-	-	4,095,000	204
New ordinary shares issued	13,860,000	693	5,525,000	276
<b>End of the year</b>	<b>290,029,480</b>	<b>14,501</b>	<b>276,169,480</b>	<b>13,808</b>
<b>Held in Treasury*</b>				
<b>Beginning of the year</b>	-	-	4,095,000	204
Ordinary shares issued out of Treasury	-	-	(4,095,000)	(204)
<b>End of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total share capital</b>	<b>290,029,480</b>	<b>14,501</b>	<b>276,169,480</b>	<b>13,808</b>

\* Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

During the year, 13,860,000 ordinary shares (2019: 9,620,000 shares) were issued. The premium received in the year on the issue of new ordinary shares of £34,409,000 (2019: £13,892,000) and on the issue of ordinary shares out of Treasury of £nil (2019: £65,000) was credited to the share premium account. From the issue of ordinary shares out of Treasury, £nil (2019: £9,821,000) was credited to the capital reserve. No ordinary shares were repurchased into Treasury during the year (2019: nil).

# Notes to the Financial Statements continued

## 16 Capital and Reserves

	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total Share- holders' funds £'000
<b>At 1 September 2019</b>	<b>13,808</b>	<b>109,897</b>	<b>3,256</b>	<b>5,152</b>	<b>542,023</b>	<b>24,532</b>	<b>698,668</b>
Losses on investments	-	-	-	-	(131,085)	-	(131,085)
Losses on long CFDs	-	-	-	-	(11,820)	-	(11,820)
Losses on short CFDs, futures and options	-	-	-	-	(1,905)	-	(1,905)
Foreign exchange losses	-	-	-	-	(2,641)	-	(2,641)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	13,761	13,761
Dividends paid to Shareholders	-	-	-	-	-	(20,575)	(20,575)
New ordinary shares issued	693	34,409	-	-	-	-	35,102
<b>At 31 August 2020</b>	<b>14,501</b>	<b>144,306</b>	<b>3,256</b>	<b>5,152</b>	<b>394,572</b>	<b>17,718</b>	<b>579,505</b>

The capital reserve balance at 31 August 2020 includes investment holding losses on investments of £131,085,000 (2019: losses of £40,929,000) as detailed in Note 11 above. The revenue and capital reserves are distributable by way of dividend. See Note 2 (r) above for further details. The Board has stated that it has no current intention to pay dividends out of capital.

## 17 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the following:

	2020	2019
Total Shareholders' funds	£579,505,000	£698,668,000
Ordinary shares held outside of Treasury at year end	290,029,480	276,169,480
Net asset value per ordinary share	199.81p	252.99p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

## 18 Financial Instruments

### Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, economic and political, share price, discount control, regulatory, cybercrime, investment management, pandemic and operational risks. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 23 and 24.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

- Equity shares and bonds held in accordance with the Company's investment objective and policies;
- Derivative instruments which comprise CFDs, futures and options on listed stocks and equity indices; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

## 18 Financial Instruments continued

The risks identified arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

### Market price risk

#### Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The Board imposes limits to ensure gearing levels are appropriate. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

#### Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2020 £'000	2019 £'000
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs – exposure less fair value	91,217	129,731
<b>Exposure to financial instruments that earn interest</b>		
Amounts held at futures clearing houses and brokers	860	18,002
Cash and cash equivalents	9,802	49,088
	10,662	67,090
<b>Net exposure to financial instruments that bear interest</b>	<b>80,555</b>	<b>62,641</b>

#### Foreign currency risk

The Company does not carry out currency speculation. The Company's net return/(loss) on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange movements because the Company has income and assets which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short term exposure to exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in currency exchange rates affecting the value of investments and derivative instruments;
- Movements in currency exchange rates affecting short term timing differences; and
- Movements in currency exchange rates affecting income received.

The portfolio management team monitor foreign currency risk but it is not the Company's policy to hedge against currency risk.



# Notes to the Financial Statements continued

## 18 Financial Instruments continued

### Currency exposure of financial assets

The currency exposure profile of the Company's financial assets is shown below:

Currency	investments held at fair value £'000	long exposure to derivative instruments <sup>1</sup> £'000	debtors <sup>2</sup> £'000	cash and cash equivalents <sup>3</sup> £'000	2020
					total £'000
Euro	32,969	38,212	54	2	71,237
US dollar	26,043	–	11	9,794	35,848
Swiss franc	22,905	–	392	1	23,298
Australian dollar	14,417	–	–	–	14,417
Swedish krona	9,415	–	–	–	9,415
Canadian dollar	4,482	–	–	–	4,482
Norwegian krone	2,122	–	–	–	2,122
South African rand	1,984	49	–	–	2,033
Danish krone	–	–	74	–	74
UK sterling	449,426	58,629	4,250	5	512,310
	563,763	96,890	4,781	9,802	675,236

1 The exposure to the market of long CFDs.

2 Debtors include amounts held at futures clearing houses and brokers.

3 Cash and cash equivalents are made up of £1,860,000 cash at bank and £7,942,000 held in Fidelity Institutional Liquidity Fund.

Currency	investments held at fair value £'000	long exposure to derivative instruments <sup>1</sup> £'000	debtors <sup>2</sup> £'000	cash and cash equivalents <sup>3</sup> £'000	2019
					total £'000
Euro	74,903	52,971	110	2	127,986
US dollar	32,367	–	–	44,631	76,998
Swiss franc	34,960	–	225	–	35,185
Canadian dollar	8,001	–	–	–	8,001
Australian dollar	3,459	–	–	–	3,459
South African rand	2,699	81	–	–	2,780
Danish krone	–	–	74	–	74
UK sterling	479,150	27,755	29,278	4,455	540,638
	635,539	80,807	29,687	49,088	795,121

1 The exposure to the market of long CFDs and long futures after the netting of hedging exposures.

2 Debtors include amounts held at futures clearing houses and brokers.

3 Cash and cash equivalents are made up of £2,207,000 cash at bank and £46,881,000 held in Fidelity Institutional Liquidity Fund.

## 18 Financial Instruments continued

### Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. The Company's financial liabilities comprise short positions on derivative instruments and other creditors. The currency profile of these financial liabilities is shown below:

Currency	short exposure to derivative instruments* £'000	other creditors £'000	2020
			total £'000
Norwegian krone	–	2,126	2,126
UK sterling	–	2,388	2,388
	–	4,514	4,514

Currency	short exposure to derivative instruments* £'000	other creditors £'000	2019
			total £'000
UK sterling	–	795	795

\* The exposure to the market of short CFDs.

### Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's internal Derivative Risk Measurement and Management Document.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of a bank overdraft, if required.

### Liquidity risk exposure

At 31 August 2020, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £1,946,000 (2019: £17,879,000) and creditors of £4,514,000 (2019: £795,000).

# Notes to the Financial Statements continued

## 18 Financial Instruments continued

### Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. These are known as Over the Counter ("OTC") trades. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Investment Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 August 2020, £8,590,000 (2019: £1,100,000) was held by brokers in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised: HSBC Bank plc £7,775,000 (2019: £1,100,000) in cash denominated in UK sterling, Morgan Stanley & Co International plc £645,000 (2019: £nil) in cash denominated in UK sterling and J.P. Morgan Securities plc £170,000 (2019: £nil) in cash denominated in UK sterling. £860,000 (2019: £18,002,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet was held by the Company, in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral comprised of: Goldman Sachs International Ltd £20,000 (2019: £2,560,000) in cash, Morgan Stanley & Co International plc £nil (2019: £7,805,000) in cash and UBS AG £840,000 (2019: £7,637,000) in cash.

### Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions, and derivative instrument contracts and cash at bank.

### Derivative instrument risk

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented Derivative Risk Measurement and Management Document. Derivative instruments are used by the Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- To hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market; and
- To position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over-valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

## RISK SENSITIVITY ANALYSIS

### Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 August 2020, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the net loss on ordinary activities after taxation for the year and decreased the net assets of the Company by £201,000 (2019: increased the net loss and decreased the net assets by £157,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

### Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 August 2020, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have increased the Company's net loss on ordinary activities after taxation for the year and decreased the net assets of the Company by £14,618,000 (2019: increased the net loss and decreased the net assets by £23,135,000). A 10% weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the Company's net assets by £17,867,000 (2019: decreased the net loss and increased the net assets by £28,276,000).

## 18 Financial Instruments continued

### Other price risk- exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 August 2020, an increase of 10% in share prices, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £56,376,000 (2019: decreased the net loss and increased the net assets by £63,554,000). A decrease of 10% in share prices would have had an equal and opposite effect.

### Other price risk- net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 August 2020, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £9,689,000 (2019: decreased the net loss and increased the net assets by £8,081,000). A decrease of 10% in share prices would have had an equal and opposite effect. Details of the Company's net exposure to derivative instruments are shown in Note 19 below.

### Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (l) and (m) above, investments and derivative instruments are shown at fair value.

### Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets
<b>Level 2</b>	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
<b>Level 3</b>	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Notes 2 (l) and (m) above. The table below sets out the Company's fair value hierarchy:

	level 1 £'000	level 2 £'000	level 3 £'000	2020 total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	562,866	–	897	563,763
Derivative instrument assets	–	7,619	–	7,619
	562,866	7,619	897	571,382
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,946)	–	(1,946)

# Notes to the Financial Statements continued

## 18 Financial Instruments continued

	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	630,634	3,482	1,423	635,539
Derivative instrument assets	–	3,028	–	3,028
	630,634	6,510	1,423	638,567
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(495)	(17,384)	–	(17,879)

The table below sets out the movements in level 3 financial instruments during the year:

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
<b>Beginning of the year</b>	<b>1,423</b>	2,492
Sales – proceeds	<b>(462)</b>	(163)
Sales – losses	<b>(81)</b>	(97)
Investments written off – GVC Holdings option	–	(1,426)
Movement in investment holding gains	<b>17</b>	617
<b>End of the year</b>	<b>897</b>	1,423

### Marwyn Value Investors

Marwyn Value Investors is a closed-ended fund incorporated in the United Kingdom. The fund is highly illiquid and the valuation at 31st August 2020 is based on the indicative bid price in the absence of a last trade price. As at 31 August 2020, its fair value was £613,000 (2019: £1,136,000).

### TVC Holdings

TVC Holdings is an unlisted investment holding company incorporated in Ireland. The valuation at 31 August 2020 is based on the last trade price. As at 31 August 2020, its fair value was £284,000 (2019: £287,000).

## 19 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 49 and any gearing, which is managed by the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 21. The principal risks and their management are disclosed in the Strategic Report on pages 23 and 24 and in Note 18 above.

The Company's gross gearing and net gearing at the year end is set out below:

	2020			
	gross asset exposure		net asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Investments	563,763	97.3	563,763	97.3
Long CFDs	96,890	16.7	96,890	16.7
<b>Total long exposures</b>	<b>660,653</b>	<b>114.0</b>	<b>660,653</b>	<b>114.0</b>
<b>Shareholders' funds</b>	<b>579,505</b>		<b>579,505</b>	
	<b>gross gearing</b>		<b>net gearing</b>	
<b>Gearing<sup>2</sup></b>	<b>14.0%</b>		<b>14.0%</b>	

	2019			
	gross asset exposure		net asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Investments	635,539	91.0	635,539	91.0
Long CFDs	115,375	16.5	115,375	16.5
<b>Total long exposures before hedges</b>	<b>750,914</b>	<b>107.5</b>	<b>750,914</b>	<b>107.5</b>
less: index futures – hedging exposure <sup>3</sup>	(34,568)	(5.0)	(34,568)	(5.0)
<b>Total long exposures after the netting of hedges</b>	<b>716,346</b>	<b>102.5</b>	<b>716,346</b>	<b>102.5</b>
<b>Shareholders' funds</b>	<b>698,668</b>		<b>698,668</b>	
	<b>gross gearing</b>		<b>net gearing</b>	
<b>Gearing<sup>2</sup></b>	<b>2.5%</b>		<b>2.5%</b>	

<sup>1</sup> Exposure to the market expressed as a percentage of Shareholders' funds.

<sup>2</sup> Gearing is the amount by which Asset Exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.

<sup>3</sup> Hedging exposures reduce exposure to the market and gearing.



# Notes to the Financial Statements continued

## 20 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report on page 29 and in Note 5 above. During the year, fees for portfolio management services of £5,527,000 (2019: £5,821,000), and fees for non-portfolio management services of £100,000 (2019: £100,000) were payable to FIL. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £418,000 (2019: £505,000) and fees for non-portfolio management services of £17,000 (2019: £17,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £175,000 (2019: £192,000). At the Balance Sheet date, marketing services of £20,000 (2019: £nil) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Director's fees and taxable expenses relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 37 and 38. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £19,000 (2019: £18,000) of Employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £15,000 (2019: £15,000) were accrued and payable.

## 21 Reconciliation of Net Loss on Ordinary Activities before Finance Costs and Taxation to Cash Flow from Operating Activities before Finance Costs and Taxation

	year ended 31.08.20 £'000	year ended 31.08.19 £'000
Net total loss before on ordinary activities before finance costs and taxation	(132,800)	(35,303)
Add: net capital loss on ordinary activities before finance costs and taxation	147,451	59,640
Net revenue return on ordinary activities before finance costs and taxation	14,651	24,337
Scrip dividends	(274)	(1,207)
Decrease/(increase) in debtors	3,163	(3,078)
Decrease in other creditors	(54)	(854)
<b>Cash flow from operating activities before finance costs and taxation</b>	<b>17,486</b>	<b>19,198</b>

# Alternative Performance Measures

## Total Return

Total return is considered to be an Alternative Performance Measure. NAV total return includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 August 2020 and 31 August 2019.

	Net asset value per ordinary share	Share price
<b>2020</b>		
31 August 2019	252.99p	251.50p
31 August 2020	199.81p	181.60P
Change in year	-21.0%	-27.8%
Impact of dividend reinvestment	+2.5%	+2.4%
<b>Total return for the year</b>	<b>-18.5%</b>	<b>-25.4%</b>

	Net asset value per ordinary share	Share price
<b>2019</b>		
31 August 2018	271.98p	276.00p
31 August 2019	252.99p	251.50p
Change in year	-7.0%	-8.9%
Impact of dividend reinvestment	+2.1%	+2.0%
<b>Total return for the year</b>	<b>-4.9%</b>	<b>-6.9%</b>

## Ongoing charges

Ongoing charges are considered to be an Alternative Performance Measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and other expenses expressed as a percentage of the average net asset values throughout the year.

	2020	2019
Investment management fees (£'000)	5,627	5,921
Other expenses (£'000)	718	772
<b>Ongoing charges (£'000)</b>	<b>6,345</b>	<b>6,693</b>
Average net assets (£'000)	649,924	686,279
<b>Ongoing charges ratio</b>	<b>0.98%</b>	<b>0.97%</b>

## Gearing

Gearing is considered to be an Alternative Performance Measure. See Note 19 on page 69 for details of the Company's gearing.

# Financial Calendar

## The key dates in the Company's calendar are:

31 August 2020 – Financial Year End

November 2020 – Announcement of the annual results for the year ended 31 August 2020

3 December 2020 – Ex-dividend Date

4 December 2020 – Dividend Record Date

14 December 2020 – Annual General Meeting

14 January 2021 – Payment of Final Dividend

28 February 2021 – Half-Year End

April 2021 – Announcement of the Half-Yearly Results for the six months to 28 February 2021

May 2021 – Ex-Dividend and Dividend Record Date

June 2021 – Payment of Interim Dividend

# Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Special Values PLC will be held as a closed session via video conference on Monday, 14 December 2020 at 11.30 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 August 2020.
2. To declare that a final dividend for the year ended 31 August 2020 of 3.70 pence per ordinary share be paid to Shareholders on the register as at close of business on 4 December 2020.
3. To re-elect Mr Andy Irvine as a Director.
4. To re-elect Mrs Claire Boyle as a Director.
5. To re-elect Mr Dean Buckley as a Director.
6. To re-elect Mr Nigel Foster as a Director.
7. To elect Mrs Alison McGregor as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 36) for the year ended 31 August 2020.
9. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 36.
10. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
11. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, pass the following special business resolutions of which Resolution 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions.

## Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of new ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary Shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 4 November 2020. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's Shareholders to do so. Any ordinary shares held in Treasury would be re-issued at net asset value ("NAV") per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551

of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,450,147 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 4 November 2020) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

13. THAT, subject to the passing of Resolution 12, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
  - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,450,147 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 4 November 2020); and
  - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share,

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this Resolution had not expired.

## Authority to Repurchase Shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 4 November 2020 either for immediate cancellation or for retention as Treasury shares, at the determination of the

# Notice of Meeting continued

Board. Once shares are held In Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5 pence each ("the shares") in the capital of the Company provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 43,321,700;
- b) the minimum price which may be paid for a share is 5 pence;
- c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
  - i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and
  - ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
- d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board

**FIL INVESTMENTS INTERNATIONAL**

Secretary

4 November 2020

## Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 11:30 on Thursday, 10 December 2020. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notari ally or in some other way approved by the Directors), must be deposited with the Company's Registrar, Link Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11:30 on Thursday, 10 December 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)

(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11:30 on Thursday, 10 December 2020.

6. Proxymity Voting – If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by no later than 11:30 on Thursday, 10 December 2020 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
7. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Thursday, 10 December 2020.
8. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
9. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
10. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Thursday, 10 December 2020. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
11. As at 4 November 2020 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 290,029,480 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 1,025,473. Therefore, the total number of shares with voting rights in the Company as at 4 November 2020 was 289,004,007.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
14. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
15. No Director has a service contract with the Company.
16. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.



# Shareholder Information

## Investing in Fidelity Special Values Plc

Fidelity Special Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages on the Manager's website at: [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues)

## Contact Information

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given on this page. Links to the websites of major platforms can be found online at: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

## Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity Special Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at: [www.signalshares.com](http://www.signalshares.com). Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

**Account Enquiry** – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

**Amendment of Standing Data** – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

## Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at: [www.linksharedeal.com](http://www.linksharedeal.com), or by telephoning 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 – 16:30, Monday to Friday excluding public holidays in England and

Wales). The Link Share Dealing Services allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a Shareholder in the relevant company, and that company offers the Share Deal facility to its Shareholders.

## Dividend Reinvestment Plan

Link Asset Services offers a Dividend Reinvestment Plan which is a convenient way for Shareholders to build up their shareholding by using their dividend money to purchase additional shares in the Company. The Plan is provided by Link Asset Services, a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack, call **0371 664 0381** between 9:00 – 17:30 Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: [shares@link.co.uk](mailto:shares@link.co.uk) or log on to: [www.signalshares.com](http://www.signalshares.com).

## Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth KT20 9FU.

Website: [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its).

**Private investors:** call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

**Financial advisers:** call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

## General enquiries

General enquiries should be made to the Secretary at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: **01737 834798**

Email: [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)

Website: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

If you hold Fidelity Special Values PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

## ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at [www.sharegift.org.uk](http://www.sharegift.org.uk) or by telephoning **020 7930 3737**.

## Managers and Advisors

### Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited  
Beechgate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP

### Portfolio Manager, Secretary and Registered Office

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP  
Email: [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)

### Banker and Custodian

JPMorgan Chase Bank (London Branch)  
125 London Wall  
London  
EC2Y 5AJ

### Depository

J.P. Morgan Europe Limited  
25 Bank Street  
London  
E14 5JP

### Financial Adviser and Stockbroker

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London  
EC4R 2GA

### Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### Lawyer

Dickson Minto W.S.  
Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Company Information

The Company was launched on 17 November 1994. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of ordinary shares on a five for one basis on 29 June 2015, the Company's share capital now comprises ordinary shares of 5 pence each and the restated original subscription price is 20 pence for each ordinary share.

The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning **020 7282 5555** (email: [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk)).

### Price Information

The share price of Fidelity Special Values PLC is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at: [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** or FT Cityline on **0905 817 1690** (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity Special Values PLC is FSV.L, the SEDOL is BWXC7Y9 and the ISIN is GB00BWXC7Y93.

### Net Asset Value ("NAV") Information

The Company's NAV is calculated and released to the London Stock Exchange on a daily basis.

### UK Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,300 of capital gains in the current tax year 2020/2021 (2019/2020: £12,000) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

# Shareholder Information continued

## General Data Protection Regulation ("GDPR")

### What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its Shareholders, for example, the Annual Report and other documents that relate to meetings of the Company. The Company will therefore collect Shareholders' personal data such as names, addresses and identification numbers or investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

### Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company's Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at <https://investment-trusts.fidelity.co.uk/privacy-policy/>

The Company's agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its Shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer Shareholders' personal data across national borders to Fidelity Group entities operating in the European Economic Area ("EEA"). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity group but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

### How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

### Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity's UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

# Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 29.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Investment management</b>	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 21 and 22.
<b>Risk management</b>	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 23 and 24 and in Note 18 to the Financial Statements on pages 62 to 68.
<b>Valuation of illiquid assets</b>	The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.	Not Applicable.

# Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Leverage</b>	<p>The Company uses leverage to increase its exposure primarily to UK companies and currently holds derivative instruments. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 August 2020, actual leverage was 1.15 for both the Gross Method and the Commitment Method.</p>
<b>Liquidity management</b>	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 65.
<b>Remuneration of the AIFM</b>	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B); and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at <a href="http://www.fidelityinternational.com/global/remuneration/default.page">www.fidelityinternational.com/global/remuneration/default.page</a>

## EU Securities Financing Transactions Regulations ("SFTR")

The following disclosures relate to contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016.

As at 31 August 2020, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
HSBC Bank plc (UK)	6,326	1.09%	7,775	-
Morgan Stanley & Co International plc (UK)	713	0.12%	645	-
UBS AG (UK)	(1,149)	-0.20%	-	840
J.P. Morgan Securities plc (UK)	(197)	-0.03%	170	-
Goldman Sachs International Ltd (UK)	(20)	0.00%	-	20

Collateral held by the broker was held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 August 2020 from CFDs was a loss of £8,054,000.

# Glossary of Terms

## AAF report

A report prepared in accordance with the Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

## AIC

The Association of Investment Companies ("AIC"). The Company is a member of the AIC.

## AIF

Alternative Investment Fund ("AIF"). The Company is an AIF.

## AIFM

Alternative Investment Fund Manager ("AIFM"). The Board has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM/the manager.

## AIFMD

The Alternative Investment Fund Managers Directive ("AIFMD") is a European Union Directive implemented on 22 July 2014.

## Alternative Performance Measures

The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Gearing;
- Net Asset Value (NAV) per Ordinary Share;
- Ongoing Charges;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Share Price Total Return).

## Benchmark Index

FTSE All-Share Index against which the performance of the Company is measured.

## Block Listing

A facility that allows the Company to issue new ordinary shares to meet demand in the market over a period of time.

## Capital Gains Tax (CGT)

The tax which you may have to pay if you sell your shares at a profit.

## Collateral

Asset provided as security for the unrealised gain or loss under a contract for difference.

## Contract for Difference (CFD)

A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may

reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received.

## Corporation Tax

The tax the Company may have to pay on its profits for a year. Investment trust companies are exempt from corporation tax on their capital gains and do not pay tax on any UK dividends. As they can offset expenses against any taxable income, most investment trusts do not pay corporation tax and are therefore tax efficient for the Company.

## Derivatives

Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

## Discount

If the share price of the Company is lower than the net asset value per share, the Company is said to be trading at a discount. The discount is shown as a percentage of the net asset value.

## Fair Value

The fair value is the best estimate of the value of the investments, including derivatives, at a point in time and this is measured as:

- **Listed and AIM quoted investments** – valued at bid prices or last market prices where available, otherwise at published price quotations;
- **Unlisted investments** – valued using an appropriate valuation technique in the absence of an active market;
- **Futures and options** – valued at the quoted trade price for the contract; and
- **Contracts for difference** – valued as the difference between the settlement price and the value of the underlying shares in the contract (unrealised gains or losses).

## Futures

Agreements to buy or sell a fixed amount of an asset at a fixed future date and a fixed price.

## Gearing

Gearing is the amount of exposure the Company uses to invest in the market. The Company uses two measures of gearing:

- **Gross gearing** which is the amount by which Gross Asset Exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.
- **Net gearing** which is the amount by which Net Asset Exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.

## Gross Asset Exposure

A measure of the Company's total equity exposure. It is calculated as the sum of all long exposures, plus short exposures and less exposures hedging the portfolio.



# Glossary of Terms continued

## Hedging

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving taking a position in a [derivative](#) such as a [future](#) or an [option](#).

## Net Asset Exposure

A measure of the Company's net equity exposure. It is calculated as the sum of all long exposures, less short exposures and less exposures [hedging](#) the portfolio.

## Net Asset Value (NAV)

[Net asset value](#) is sometimes also described as "Shareholders' funds" and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the [net asset value](#) on a per share basis.

## Ongoing Charges

Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily [net asset values](#) for the reporting year.

## Options

An [option](#) is a contract which gives the right but not the obligation to buy or sell an underlying asset at an agreed price on or before an agreed date. [Options](#) may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis, for example, the purchase of a call option provides exposure to the upside potential of an underlying stock, with the downside risk being limited to the premium paid.

## Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by existing Shareholders. At each annual general meeting, the Board seeks Shareholder approval to disapply [pre-emption right](#) provisions, for up to 10% of the issued share capital.

## Premium

If the share price of the Company is higher than the [net asset value](#) per share, the Company is said to be trading at a [premium](#). The [premium](#) is shown as a percentage of the [net asset value](#).

## Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares. It is not distributable by way of dividend and cannot be used to fund share repurchases.
- **Capital redemption reserve** maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and cannot be used to fund share repurchases.

- **Other non-distributable reserve** represents amounts transferred from the warrant reserve. It is not distributable by way of dividend and cannot be used to fund share repurchases.
- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund repurchases and issuance of shares from Treasury and it is distributable by way of dividend.
- **Revenue reserve** represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

## Return/(Loss)

The [return/\(loss\)](#) generated in a given period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of expenses, finance costs and taxation;
- **Capital Return/(Loss)** reflects the return on capital, excluding any revenue return; and
- **Total Return/(Loss)** reflects the aggregate of revenue and capital return.

## Shareholders' Funds

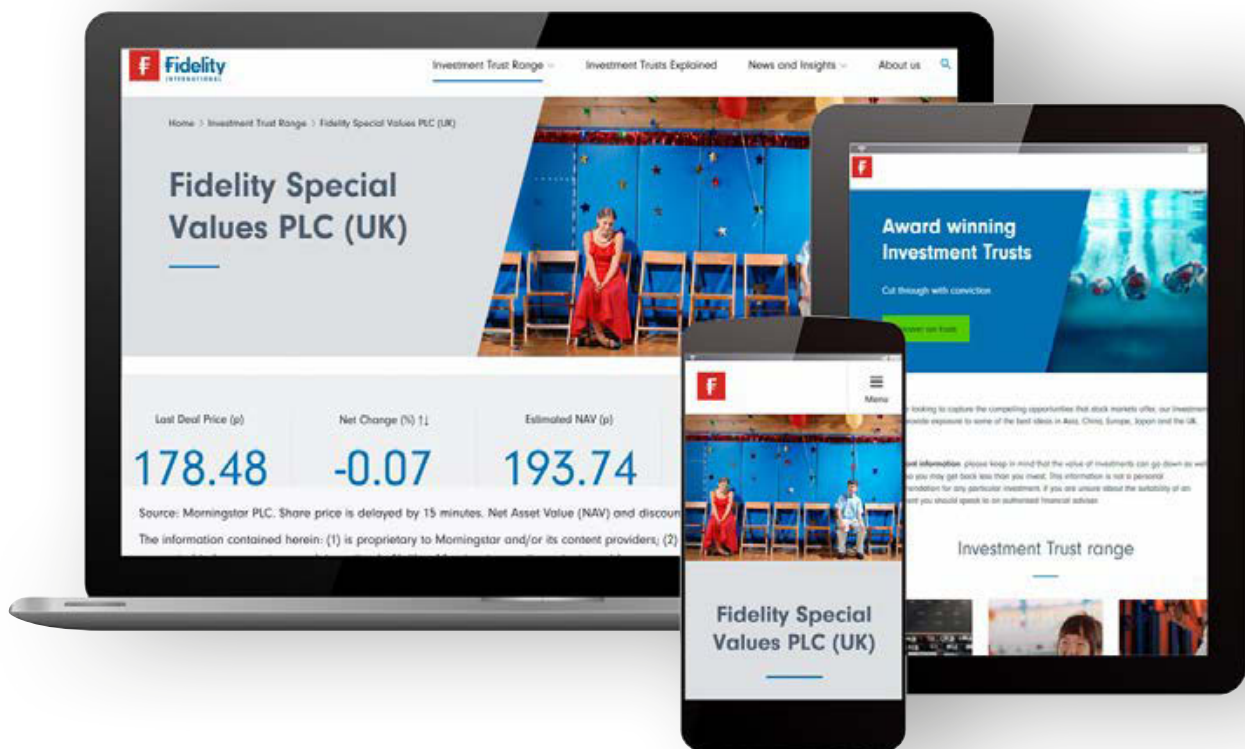
[Shareholders' funds](#) are also described as "[net asset value](#)" and represent the total value of the Company's assets less the total value of its liabilities.

## Total return performance

The return on the share price or [net asset value](#) per share taking into account the rise and fall of share prices and the dividends paid to Shareholders. Any dividends received by the Shareholder are assumed to have been reinvested for additional shares (for share price total return) or in the Company's assets (for [net asset value](#) total return).

## Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the [net asset value](#) per share calculation.



To find out more about Fidelity Special Values PLC, visit our new website [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com) where you can read articles and watch videos on the Company.



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