For more information click here to visit Fidelity online

Welcome to the Fidelity European Trust PLC Annual Report 2020.

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FIDELITY EUROPEAN TRUST PLC

Annual Report for the year ended 31 December 2020

For more information click here to visit Fidelity online

Investment Objective and Overview

The Company aims to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

"The year under review has been an extraordinary one, with individuals and businesses in Europe, as around the world, facing some of the most challenging circumstances in decades because of the Coronavirus (COVID-19).

Against this testing backdrop, the Board and Portfolio Manager remained focused on the core objective of the Company, namely the achievement of long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

The Portfolio Manager's preference for companies with well-formed, long-standing foundations stood shareholders in good stead. Europe is home to some of the most stable and resilient companies in the world, feted for standing the test of time. Whilst, inevitably, few names remained entirely unscathed, the Portfolio Manager's ability to select proven business models at attractive valuations has proved its worth, as it has done across the years."

Vivian Bazalgette, Chairman

MONEY OBSERVER RATED FUND 2020 Fidelity European Values IT European Equities

moneywise Investment Trust awards 2020 WINNER EUROPE Fidelity European Values

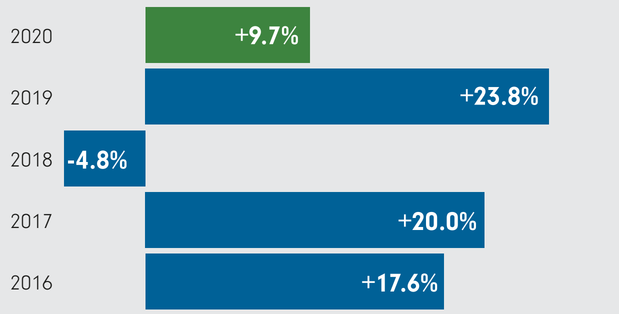
INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2019 WINNER EUROPE

AJBell FTI Awards2019 European Equity - Active

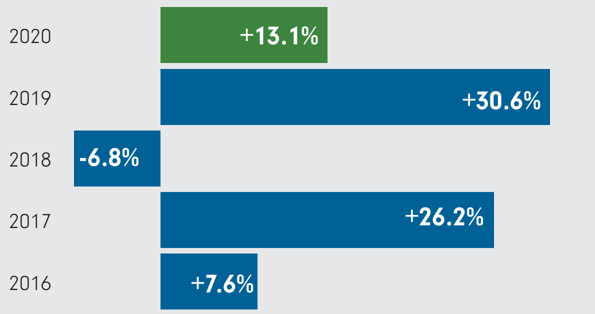
At a Glance

The Company's net asset value per ordinary share increased by 9.7% and the share price by 13.1%, whilst the Benchmark Index rose by 8.6% (all performance data on a total return basis).

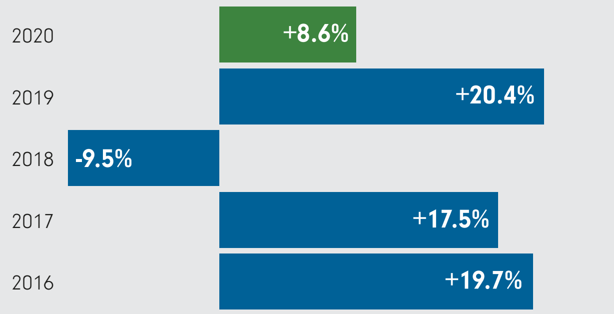
Net Asset Value per Ordinary Share total return[1, 2]
Year ended 31 December



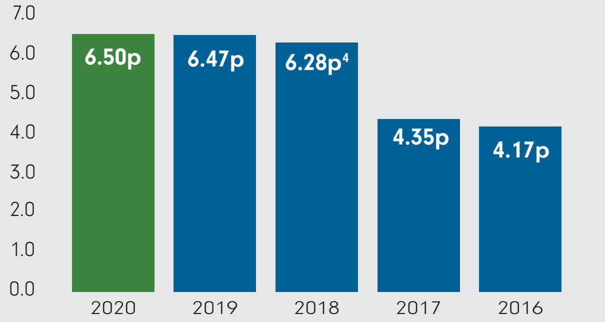
Ordinary Share Price total return[1, 2]
Year ended 31 December



FTSE World Europe (ex UK) Index total return[1, 3]
Year ended 31 December



Dividends per Ordinary Share
Year ended 31 December



1 Includes reinvested income.
2 Alternative Performance Measures. See page 74.
3 The Company's Benchmark Index.
4 Includes 1.79 pence from the additional revenue generated from the change in the allocation of the management fees and finance costs.

As at 31 December 2020

Shareholders' Funds

£1,220.3m

Market Capitalisation

£1,176.8m

Capital Structure
Ordinary Shares of 2.5 pence held outside Treasury

411,466,049

Summary of the key aspects of the Investment Policy

The Investment Manager will typically focus on larger companies which show good prospects for sustainable long term dividend growth. The Investment Manager is not restricted in terms of size, industry or geographical split.

The Company predominantly invests in equities but may also invest into other transferable securities, investment companies, money market instruments, cash and deposits and is also able to use derivatives for efficient portfolio management, to gain additional market exposure (gearing) and for investment purposes.

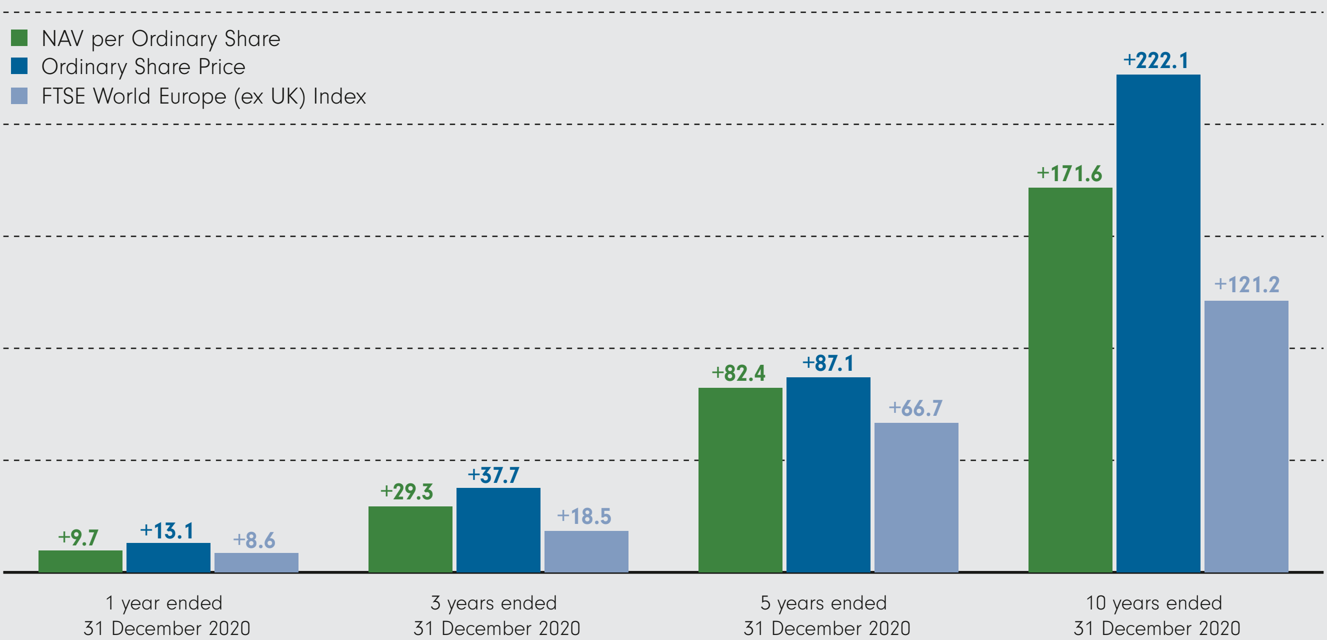
The Investment Manager must work within the guidelines set out in the Investment Policy.

Financial Highlights

	2020	2019
Assets at 31 December		
Gross Asset Exposure[1]	**£1,364.3m**	£1,221.6m
Gross Gearing[2] (see Note 18 on pages 72 and 73)	**11.8%**	7.1%
Net Asset Exposure	**£1,336.5m**	£1,193.7m
Net Gearing[2] (see Note 18 on pages 72 and 73)	**9.4%**	4.7%
Shareholders' Funds	**£1,220.3m**	£1,140.6m
Net Asset Value ("NAV") per Ordinary Share[2]	**296.57p**	277.19p
Ordinary Share Price and Discount at 31 December		
Ordinary Share Price at year end	**286.00p**	260.00p
Ordinary Share Price – year high	**290.00p**	263.50p
Ordinary Share Price – year low	**187.40p**	207.00p
Discount at year end[2]	**3.6%**	6.2%
Discount – year high	**15.5%**	11.5%
Discount – year low	**3.6%**	5.9%
Results for the year ended 31 December – see page 53		
Revenue return per Ordinary Share[2]	**5.12p**	7.00p
Capital return per Ordinary Share[2]	**20.74p**	47.26p
Total return per Ordinary Share[2]	**25.86p**	54.26p
Final Dividend proposed per Ordinary Share	**3.90p**	3.88p
Interim dividend paid per Ordinary Share	**2.60p**	2.59p
Total dividends for the year	**6.50p**	6.47p
Ongoing Charges for the year ended 31 December[2,3]	**0.86%**	0.87%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments.
2 Alternative Performance Measures.
3 Ongoing charges (excluding finance costs and taxation) as a percentage of the average net asset values for the year (prepared in accordance with guidance issued by the Association of Investment Companies). A definition of Ongoing Charges is in the Glossary of Terms on page 83.

Standardised Performance Total Return[1] (%)



1 Includes reinvested income.

Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

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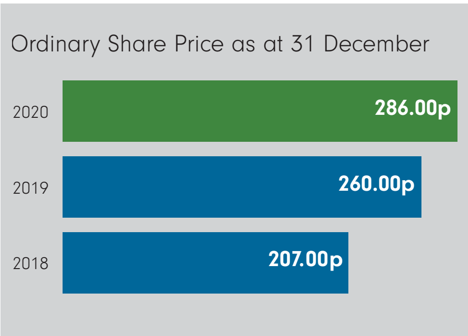


Ten Year Record
Read more page 19

Chairman's Statement

I am pleased to present the Annual Report of Fidelity European Trust PLC for the year ended 31 December 2020.

Vivian Bazalgette, Chairman

£1,220.3m
(As at 31 December 2020)
Shareholders' Funds

+9.7%
(Year ended 31 December 2020)
Net Asset Value per Ordinary Share (total return)

+13.1%
(Year ended 31 December 2020)
Ordinary Share Price (total return)

+8.6%
(Year ended 31 December 2020)
Benchmark Index (total return)

The year under review has been an extraordinary one, with individuals and businesses in Europe, as around the world, facing some of the most challenging circumstances in decades because of the Coronavirus (COVID-19).

Against this testing backdrop, the Board and Portfolio Manager remained focused on the core objective of the Company, namely the achievement of long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

The Portfolio Manager's preference for companies with well-formed, long-standing foundations stood shareholders in good stead. Europe is home to some of the most stable and resilient companies in the world, feted for standing the test of time. Whilst, inevitably, few names remained entirely unscathed, the Portfolio Manager's ability to select proven business models at attractive valuations has proved its worth, as it has done across the years.

Company Name Change
As announced on 1 October 2020, the Company changed its name from Fidelity European Values PLC to Fidelity European Trust PLC. As explained in last year's Annual Report and also the Half-Yearly Report for the six months ended 30 June 2020, the reason for the change was to align the Company's name more closely to its objective, and to avoid confusion with value products. There is no change to the way the investment portfolio is managed as a result of the name change and the Company retains its existing ticker (FEV.L), SEDOL (BK1PKQ9) and ISIN (GB00BK1PKQ95).

Performance
The net asset value ("NAV") of the Company increased by 9.7% for the year ended 31 December 2020, outperforming the Benchmark Index, the FTSE World Europe (ex UK), which returned 8.6%. A pleasing result, it may nevertheless be a rare case of it being better to 'arrive' than to 'travel', given the somewhat volatile journey. The discount narrowed markedly during the year and the share price return for the period was 13.1%, marking a significant outperformance of the Benchmark and NAV of the Company. The Company's NAV and share price total return performance over three and five years remains well ahead of the Benchmark Index, as can be seen from the chart on the Financial Highlights page.

By the end of the first quarter of 2020, Europe had become the epicentre of the COVID-19 crisis, resulting in economic contraction. Among the worst affected sectors were hospitality, retail, leisure and tourism amid rounds of lockdowns and restrictions. The European Central Bank was quick to implement quantitative easing, with programmes of money printing and bond buying coming to characterise the year. European equities plunged in line with global stock markets more broadly in March, before quickly retracing lost ground as the year progressed. Among the best performers were healthcare stocks, especially successful on the announcement of a vaccine, as well as utility companies. Technology names, too, were notable beneficiaries.

Outlook

With the pandemic continuing to evolve, it is evident that the arrival of vaccines does not necessarily spell an end to the story of COVID-19. Variants of the disease are appearing and it is potentially a tough job for the formulations of the various vaccines to keep up. Economically, this may result in a stop/start pattern for some time to come, mirrored by market fluctuations. These are likely, however, to present opportunities for your Managers to acquire or add to shares which meet their long standing criteria. Most of all, perhaps, it should be emphasised that European companies and Europe's economy are not one and the same and for talented stock-pickers, the opportunity set within European equities remains compelling. In particular, it should always be remembered that most of the companies in which the Company invests are global in nature. Sam Morse, our Portfolio Manager, provides more colour on his current thinking in his Portfolio Manager's Review, which follows my Chairman's Statement. Among other things, he reiterates his view that the Brexit trade agreement between the UK and EU has limited significance for the portfolio.

Environmental, Social and Governance (ESG) Investment

There continues to be increasing concern about global warming, and a focus on serious efforts to counter its effects. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance. Sam Morse outlines Fidelity's approach to this important subject in his report and what this means for the Company's investment portfolio. The Fidelity group of companies (including the Manager) has embedded ESG factors in its investment decision making process. Further details are on pages 28 to 31 which show how well the Company is positioned in terms of ESG. In addition this year, there is on page 10 a case study of EssilorLuxottica, a holding in the portfolio, where Fidelity has engaged with management during the year on ESG matters. I hope this example will illustrate how ESG works in practice, and how it is intrinsic to Fidelity's investment process.

OTHER MATTERS

Introduction to Co-Portfolio Manager

With effect from 1 September 2020, the Board agreed with Fidelity to appoint Marcel Stotzel as a Co-Portfolio Manager alongside Sam Morse, the Company's Portfolio Manager. Marcel and Sam have worked closely together in recent years. Marcel is a very talented analyst and investor, with extensive experience in European companies. Marcel will help Sam with oversight of his different strategies and mandates and also assist in client servicing and marketing.

The move to a Co-Portfolio Manager structure strengthens the investment process by introducing greater challenge and also increases the ability to meet more companies and, effectively, be in two places at once. Marcel as Co-Portfolio Manager will share a common investment approach and complementary investment experience. The appointment will not result in any changes in terms of investment philosophy, investment process or portfolio characteristics.

Sam remains the Lead Portfolio Manager and will continue to be accountable for portfolio construction.

Revised Management Fee

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 April 2021. The current tiered fee structure involves an annual rate of 0.85 per cent on the first £400 million of the Company's net assets. This will remain unchanged. However, the current rate of 0.75 per cent on net assets in excess of £400 million will reduce to 0.65 per cent, thus achieving useful savings on overall percentage costs for shareholders.

Dividends

The Board has not sought to influence the Portfolio Manager by imposing any income objective in any particular year and the investment focus on companies capable of growing their dividends remains. The Board acknowledges that both capital and income growth are components of performance, as reflected in the investment objective of the Company. It therefore has a policy whereby it seeks to pay a progressive dividend in normal circumstances and to pay dividends twice yearly in order to smooth 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, thereby building up revenue reserves, which can then be used to supplement dividends to shareholders at a time when companies in the portfolio may be cutting or cancelling their dividends. This pattern is likely to continue while the virus remains in broad circulation. The Board has over the past few years augmented revenue reserves and also has the authority to pay from capital reserves if required. Accordingly, the Board's intention in the medium term is to pay nominal increases in total annual dividends,

Chairman's Statement continued

utilising reserves if necessary. Once things return to normal, however, should dividend practices be judged to have changed on a permanent rather than temporary basis, then the Board will reconsider its dividend paying policy at that time.

The Company's revenue return for the year to 31 December 2020 was 5.12 pence per share (2019: 7.00 pence), and an interim dividend of 2.60 pence per share was paid on 30 October 2020 (2019: 2.59 pence). With this in mind, the Board recommends a final dividend of 3.90 pence per share for the year ended 31 December 2020 (2019: 3.88 pence) for approval by shareholders at the Annual General Meeting ("AGM") on 11 May 2021. The interim and final dividends (total of 6.50 pence) represent a modest increase over the 6.47 pence paid for the year ended 31 December 2019. The current year's total dividend comprises 5.12 pence earned in the reporting year and 1.38 pence to be paid from revenue reserves.

The final dividend will be payable on 18 May 2021 to shareholders on the register at close of business on 26 March 2021 (ex-dividend date 25 March 2021). Shareholders may choose to reinvest their dividends for additional shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 79.

Discount Management and Treasury Shares

The Board operates an active discount management policy, the primary purpose of which is to reduce discount volatility. It seeks to maintain the discount in single digits in normal market conditions. Buying shares at a discount also results in an enhancement to the NAV per share.

In order to assist in managing the discount, the Board has shareholder approval to hold ordinary shares repurchased by the Company in Treasury, rather than cancelling them. Shares in Treasury are then available to be re-issued at NAV per share or at a premium to NAV per share, facilitating the management of and enhancing liquidity in the Company's shares. The Board is seeking shareholder approval to renew this authority at the forthcoming AGM.

In the reporting year and up to the date of this report, the Company has not repurchased any ordinary shares into Treasury or for cancellation.

Gearing

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Manager has flexibility to gear within the parameters set by the Board. As at 31 December 2020, the Company's gross gearing was 11.8% (2019: 7.1%) whilst net gearing was 9.4% (2019: 4.7%). In the reporting year, gearing made a positive contribution to performance, as can be seen from the attribution analysis table on page 18.

The Board monitors the level of gearing and the use of derivative instruments carefully and has defined a risk control framework for this purpose which is reviewed at each Board meeting. The Board has recently 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. With this in mind, the Board's internal guideline for net gearing has been increased and will continue to be reviewed regularly.

Board of Directors

After serving on the Board for over ten years as a non-executive Director, Dr Robin Niblett stepped down from the Board at the conclusion of the AGM on 12 May 2020. Robin's successor, Sir Ivan Rogers, was appointed as a non-executive Director on 1 January 2020. He was elected by shareholders at the same AGM.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with the range of appropriate skills and experience for your Company. In accordance with the UK Corporate Governance Code, and being a FTSE 350 Company, I together with the rest of the Board will be subject to annual re-election at the AGM on 11 May 2021. Biographical details of all Directors standing for re-election can be found on page 32, and between them they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Changes to the Articles of Association

Among the temporary measures forced upon us by the COVID-19 pandemic was the closed session AGM we held last year. With restrictions still in place, this year's AGM on 11 May 2021 will once again be a closed session. However, at 2.00 pm on 29 April 2021, the Portfolio Manager and I will deliver an online presentation on the "Year in Review" which should provide useful colour on all aspects of the Company. You will also have the opportunity to put your questions to us live. Details will be made available nearer the time at **www.fidelity.co.uk/europe**. If anything changes then we will advise shareholders via the website.

With the intention of providing the very best experience for shareholders longer term and mindful of potential future restrictions, the Board is proposing amendments to the Articles of Association (the "Articles") to enable the Company to hold 'hybrid' general meetings. 'Hybrid meetings' involve both the physical attendance by shareholders as well as by shareholders via electronic means. It is the current expectation of the Board that hybrid meetings would only be used where a solely 'physical meeting' is impracticable or unworkable. By changing the Company's Articles, the Board will have the ability to determine whether an AGM or general meeting should be held as a 'physical meeting' or as a 'hybrid meeting'.

My fellow Directors and I greatly enjoy the opportunity to meet and exchange views with shareholders and a physical meeting will remain our default format as long as Government guidance permits it, but we are also keen to provide additional virtual facilities for those shareholders who may not wish to or are unable to attend AGMs in person.

We have also taken the opportunity to update certain other provisions within the Articles, including for example, in relation to retirement of Directors and regulatory restrictions and information. A full tracked version of all the changes proposed to the Articles is available at **www.fidelity.co.uk/europe**. The principal changes proposed to the Articles are set out in more detail in the Directors' report on pages 35 and 36.

Annual General Meeting – Tuesday, 11 May 2021 at 12 noon

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

With this in mind, and to fulfil the legal obligation to have an AGM, this year's AGM will be conducted as a closed session at FIL Investments International, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP, and will be restricted to the formal business of the meeting as set out in the Notice of Meeting on pages 76 and 77 and voting on the resolutions therein. Among the resolutions will be a continuation vote, which happens every two years. Back in 2019, 100 per cent of shareholders' votes were in favour of continuation and I hope there will be a similarly decisive outcome this year.

Ahead of the AGM on 11 May 2021, an online presentation by the Portfolio Manager and me will be held at 2.00 pm on 29 April 2021 which will cover a review of the year and the outlook for 2021. You will also have the opportunity to put your questions to us live. Details will be made available nearer the time at **www.fidelity.co.uk/europe**. If anything changes then we will advise investors via the website.

Copies of the Portfolio Manager's presentation can be requested by email at **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 urge all shareholders to vote and 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 in order to lodge 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.

Vivian Bazalgette

Vivian Bazalgette
Chairman
16 March 2021

Portfolio Manager's Review

Sam Morse was appointed as Portfolio Manager of Fidelity European Trust PLC on 1 January 2011. He has also managed the Fidelity European Fund since 1 December 2009. He first joined Fidelity as a research analyst and covered a range of sectors before becoming an equity income fund manager. He also worked as Head of Equities at M&G.

Question

In the shadow of a global pandemic, the period under review has been extraordinary in every sense of the word. As an investor, how have you been navigating this environment?

Answer

2020 was indeed an extraordinary year but the outcome, in terms of investment returns, ended up being quite normal with both the portfolio and Benchmark Index rising usefully. In getting there, however, the Fidelity European Trust team – the FIL research department, Marcel and myself – had to negotiate a steep switchback with the market falling precipitously as the pandemic spread only to recover strongly thanks to an awesome barrage of fiscal and monetary easing. Our guiding light, while staying fully invested, remained the tried and tested investment approach of focusing on companies with strong balance sheets which can grow dividends consistently. This light dimmed as the pandemic took hold and many companies abandoned their dividend policies in the face of political, regulatory and fundamental pressures. We spent much of the year, thereafter, sorting out which companies were facing more structural issues, likely necessitating further reductions in dividends, which companies would bounce back quickly if the pandemic receded and which companies might go from strength to strength despite or because of the pandemic. We looked to act accordingly, in terms of reshaping the portfolio, but we tend to be cautious and tread carefully during periods of extreme volatility. With hindsight, maybe we were too timid, in the midst of the panic, and missed a few tricks but we are long term investors with a multi-year investment horizon, not traders.

Question

And how has the Company performed over the twelve months under review?

Answer

Our investment objective is to outperform the Benchmark Index steadily and consistently over a number of years. We are not trying to shoot the lights out. The Company will have good years and it will have bad years but over longer periods of time steady outperformance of the Benchmark should deliver returns competitive with the peer group average. It was pleasing that 2020 was another year where the Company, with the NAV total return rising by 9.7% in UK sterling terms, did better than its Benchmark which was up by 8.6% on the same basis. It was, however, a wild ride with the Company substantially ahead of its Benchmark after nine months before lagging significantly in the final quarter. It was as if we were five nil up going into the last twenty minutes of a football match only to edge it five to four at the final whistle. The Company had a poor October when SAP issued a warning (more on this below) and then the Company failed to keep pace with the market in the sharp rally which followed the welcome news that the first two vaccines were more effective than expected. Despite this, the discount narrowed significantly in the last quarter of the year such that the share price, which rose more than 13% on the same basis, did significantly better over the year than both the Benchmark and the NAV of the Company.

Question

What have been the key contributors to performance? And detractors?

Answer

Although the Company outperformed its Benchmark for the year, the contribution from stock picking was mixed. Swedish Match performed strongly thanks to the continuing success of its nicotine pouch product Zyn which is taking full advantage of its first mover status in this market in the United States. ASML, the Dutch semiconductor equipment business, performed strongly again this year – benefiting from a reappraisal of the potential for its new EUV technology and a general buoyancy in the valuation of technology assets given the acceleration of the digital economy. By contrast, the Dutch bank ABN AMRO Bank fared badly as bad debt provisions, due to poor lending decisions, and a large loss in its settlement business wiped out most of its earnings. Banks generally suffered given the further lurch down in interest rates and the regulator's decision to restrict dividends. We believe that the other banks we hold and ABN AMRO Bank will be able to resume sizeable dividends when this ban is lifted which should catalyse stronger share prices. Sodexo, the global contract caterer, was one of a number of holdings that were directly impacted by the pandemic, as noted in the Company's Half-Yearly Report. Finally, SAP (as mentioned above) performed particularly poorly in the last quarter due to a significant downgrade of its medium term financial guidance as it accelerates its shift away from 'on-premise' sales to a more 'cloud-based' business model. We think SAP management are doing the right thing for the longer term sustainability and growth of their business but it does come at a cost to medium term profitability as up-front licence fees, coupled with maintenance contracts, are substituted gradually by annual subscription fees.

Top 5 Stock Contributors (on a relative basis)	**%**
Swedish Match	+1.1
ASML	+0.8
LVMH Moët Hennessy	+0.6
EQT	+0.5
DKSH Holding	+0.4

Top 5 Stock Detractors (on a relative basis)	**%**
ABN AMRO Bank	-0.9
Sodexo	-0.6
Total	-0.6
Grifols	-0.5
Adyen	-0.5

Question

What have been the major changes to the portfolio over the period?

Answer

As you know, we seldom make major changes to the portfolio. Our investment horizon is long so turnover tends to be low. The portfolio will, however, evolve over time with stock selection. The crisis threw up some opportunities that were already on our radar. A new holding was started, for instance, in Zurich Insurance Group, which fell to an attractive valuation during the early days of the pandemic. Analysts worried about the cost of business interruption and other claims and potential defaults in their investment portfolio. This led to concerns that Zurich Insurance might not be able to grow or sustain its attractive level of dividend. We decided, however, that the claims were manageable and that the bond market would be supported by the liquidity released by monetary easing. In our view, this was, therefore, a good time to buy a steady long term dividend grower at an attractive level of yield. We expect Zurich Insurance to get a further boost as pricing in commercial lines, particularly in the United States, moves up to compensate for the increased claims. Similarly, we added to our holdings in the private equity companies (3i Group, Partners Group and EQT) when their share prices fell sharply in the first part of the year. By contrast, we sold out of Andritz, the Austrian industrial conglomerate, because we were concerned that the pandemic would exacerbate unfavourable structural trends and given that the company had already reduced its dividends. Late on in the year, we started a holding in Prosus, a holding company which has major investments in

Portfolio Manager's Review continued

some of the world's leading on-line consumer franchises such as Tencent and Delivery Hero. We believe that the pandemic has accelerated a change in consumer habits such that strong on-line businesses like these will continue to grow faster than anticipated even when lockdowns end. Worries about regulation and government interference have provided an attractive entry point.

Question

On Christmas Eve we learnt that a trade and cooperation agreement had at last been reached between the UK and European Union. What implications might that have for the portfolio?

Answer

It was certainly welcome that some sort of deal was announced – no deal would probably have rattled European markets in the short term. Obviously the devil will be in the detail and it will take some time to digest the longer term implications of what has been announced. It is important, however, to keep this in context. The UK accounts for less than five percent of continental European companies sales and earnings so changes in the exchange rate or the UK economy will have a very modest impact. There are, of course, some specific companies for whom this deal is important such as those in the auto sector or some Spanish banks or utility companies with large subsidiaries in the UK. In general, however, this deal is less significant for the majority of continental European companies that do little or no business with or in the UK. It is important, however, for investors to remember that a stronger pound will dampen capital returns on assets that are, for the most part, denominated in currencies other than UK sterling and a stronger pound will also reduce the value of overseas dividends received by the Company.

Question

How has your derivative strategy performed in the period under review?

Answer

Gearing, using long contracts of difference ("CFDs"), contributed positively to the Company's performance. Gearing was increased during the period which helped given equity prices recovered more as the year progressed. The ability to gear is one of the great advantages, in the long term, of an investment trust over other saving vehicles. With the benefit of hindsight, the Company was too timid in this respect in the last decade with gearing averaging around six percent. At the time, it always felt uncomfortable to be more levered, as continental Europe lurched from one crisis to another. It is, of course, often like that so we have decided, in future, to stick to a structurally higher level of gearing, while staying within the parameters set by the Board. We would expect the Company to be around twice as geared, on average, as it has been in the last ten years. This level of gearing will allow a degree of flexibility such that the Company will not be forced to do the wrong thing at the wrong time.

Single stock shorting, again using CFDs, was mixed but contributed in a small way. Profits were banked on existing positions when the market collapsed but this was partly offset in the second half of the year by short positions in sectors that outperformed on the unexpectedly positive news about the vaccines: frustrating, but we believe that these businesses have weak balance sheets, exacerbated by the crisis, which will constrain dividends more than investors expect, even as growth recovers.

Question

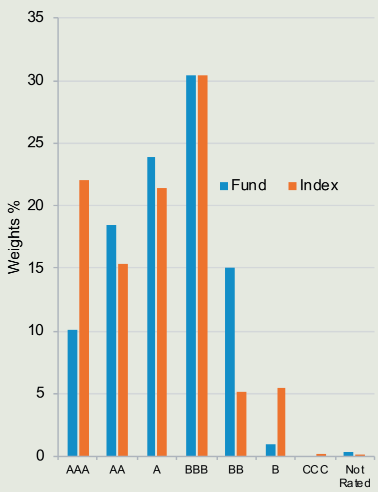
Environmental, Social and Governance ("ESG"). How do you think about it and have the challenges thrown up this year altered your approach?

Answer

Sustainable dividend growth has always been our investment mantra and has been the Company's guiding light for the past ten years. To achieve this sustainability, companies have to be cognisant of all threats including those that are environmental, social or related to poor governance (ESG). Successful companies, and investors, have increasingly been on guard against these threats in recent years even if they might not have grouped them into such a tidy acronym. Companies that have flouted good ESG principles, from the East India Company to Wirecard, usually meet their comeuppance although it is hard to predict the exact timing of their demise. Fidelity's introduction of ESG scores has helped us to sharpen our focus in this area and question why we continue to hold companies that score less well through an ESG lens. We will remain pragmatic and not dogmatic and will continue to engage with our invested companies to understand their strategy and actions regarding ESG factors. Given the Company's long held focus on sustainability, it will not surprise you that, on average, the Company scores well on ESG factors although there may well always be individual exceptions which are scrutinised and assessed holistically and thoroughly on an on-going basis. Finally, it is important not to lose sight of other non-ESG considerations such as valuation. A company may be top of the class on ESG factors but that doesn't mean investors can pay any price for it. In the rush to be considered ESG compliant, we must not completely disregard all other factors! What has become clear, however, over the last six months is that ESG factors, in particular environmental factors, will influence political decisions more and more particularly in Europe and also now in the United States. As such, it is more important than ever to be on top of these trends as they will directly translate into material earnings drivers for many stocks over the coming years.

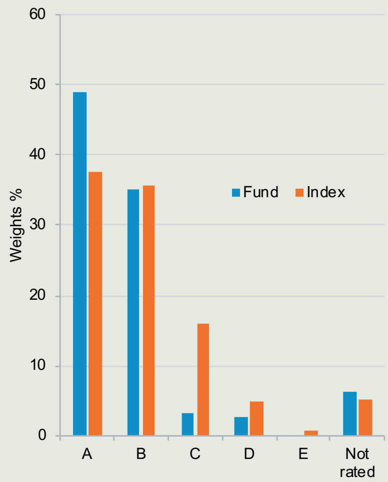
ESG Portfolio Assessment – A breakdown of the underlying companies in the portfolio using MSCI and Fidelity's own proprietary ratings

MSCI ESG rating distribution by holdings



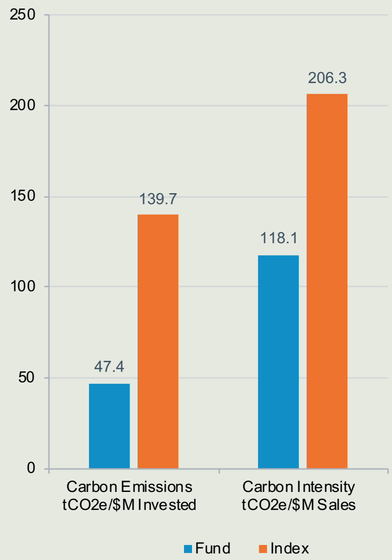
Companies in the portfolio	11	11	9	7	2	0	0	5

FIL Proprietary ESG rating distribution by holdings



Companies in the portfolio	19	19	2	2	0	4

Carbon footprint
Carbon emissions: 66% below benchmark



Source: (LHS) Fidelity International, MSCI ESG Research as at 31 December 2020. (Middle) Fidelity International, as at 31 December 2020. (RHS) Fidelity International, Trucost, 31 December 2020. Portfolio = Fidelity European Trust PLC. Benchmark = FTSE World Europe ex-UK Index. *Not Rated stocks will be rated by Fidelity's internal ratings in due course.

Portfolio Manager's Review continued

Question

Might you share an example of ESG engagement in action?

Case study

ESSILORLUXOTTICA

BACKGROUND

Essilor and Luxottica merged in 2017 creating the world's leading supplier of corrective lenses and frames. The merger was beset by delays and serious concerns emerged around the combined entity's governance. The newly created Board included 8 directors designated by Essilor and 8 by Delfin (the majority owner of Luxottica). This parity meant no party had a deciding vote and resulted in gridlock, which was preventing effective integration and the appointment of a new CEO.

In the first quarter of 2019, key Board members released separate statements to the press exposing the bitter rift between the two camps and risking further reputational damage.

FIDELITY'S ENGAGEMENT & PROCESS

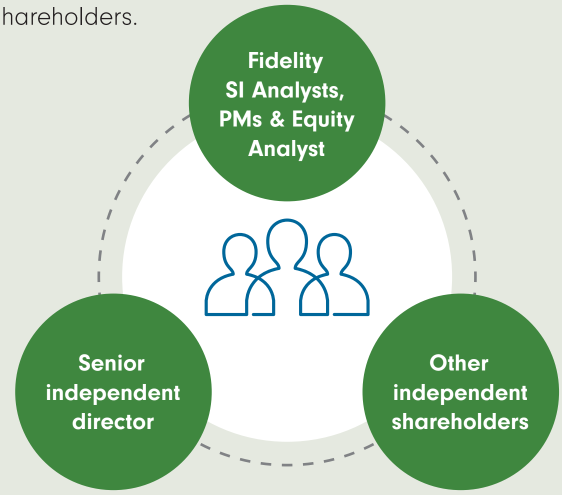
We met with Board representatives of both sides in the second half of 2018 to understand the reasons behind the merger delays and failure to appoint a new CEO. We came to understand the extent of the gridlock.

Believing the deal was net positive, but that without resolution there was risk of further reputational damage, we engaged with the company and other shareholders to discuss paths to resolution.

Fidelity co-signed a letter to the Board in March 2019 requesting transparency and improvements on several governance matters, including an update on the CEO recruitment process, the appointment of a lead director, and consultation with shareholders on the executive remuneration policy.

In Spring 2019, Fidelity co-filed voting resolutions for the election of two independent directors to the Board for the purpose of improving quality of oversight and breaking the deadlock between the two rival factions.

Our nominees were narrowly defeated at the AGM but received majority support from non-insider shareholders.



RESULT

Three days before the AGM, EssilorLuxottica announced they had signed a settlement with Delfin, waiving all current disputes and empowering management to focus on the integration process. They also confirmed the search for a new CEO.

The shareholder resolutions to nominate directors and engagement with the company helped bring the two board factions to compromise.

Question

What should investors remain focused on in the months ahead?

Answer

We like the advice of Peter Lynch who said: "Nobody can predict interest rates, the future direction of the economy or the stock market. Dismiss all such forecasts and concentrate on what's actually happening to the companies in which you've invested". Maybe we should add predictions about the pandemic to that list? Anyway, as investors, we will remain focused on the companies in which we have invested and, in particular, on their ability to continue to grow their dividends. As always, we will ask ourselves if that rate of dividend growth is already discounted in the share price. We are, of course, also always on the lookout for new opportunities to add to the portfolio at the right price. Valuation still matters. That may be a concern for the market as a whole right now because valuation levels, in aggregate, are high relative to historical norms. Clearly, that's partly discounting a continuing recovery in earnings and dividends as vaccines are rolled out and economies emerge from the pandemic. It's also partly due to the very low bond yields and ample liquidity supplied by supportive central bank policy. Inevitably, however, as an investor, one must expect the unexpected. And sometimes, hiccups arise when, as now, sentiment is bullish and investors least expect it. For our part, we remain confident that equities will rise in the long term and, as this year has shown, it pays to stay fully invested, or even modestly geared, through stock market cycles. As the old adage goes: it's time in the market, not timing the market, that matters in the long run.

Sam Morse
Portfolio Manager
16 March 2021

Top 10 Holdings

as at 31 December 2020
(based on Gross Asset Exposure expressed as a percentage of Shareholders' Funds)

Industry Packaged Food

Nestlé (Switzerland)

Gross Asset Exposure **6.9%**

The world's largest food and beverages company, Nestlé has more than 2000 brands, selling in over 190 countries. Nestlé was founded over 152 years ago in the merger of the Anglo-Swiss Milk Company established in 1866 by Charles and George Page, with Farine Nestlé. It expanded significantly during both World Wars - broadening its product set beyond its milk and infant formula ranges.

In recent years, the company has made clear its intention to invest in plant-based food with a view to engaging younger and vegan consumers.

Industry Pharmaceuticals

Roche (Switzerland)

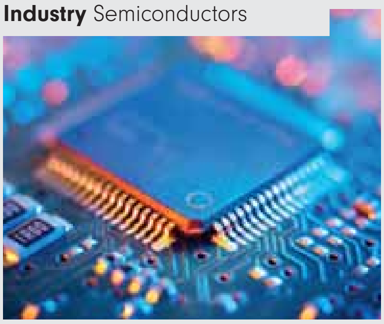
Gross Asset Exposure **5.3%**

Swiss multinational healthcare giant Roche is the world's largest biotechnology company, it aims to improve the standard of care across oncology, immunology, infectious diseases, ophthalmology and neuroscience.

The company has been ranked as the most sustainable healthcare company by the Dow Jones Sustainability Indices for more than 11 years.

In 1990 the group acquired a 60% stake in Genentech (US Biotech), and in 2009 acquired the remaining 40%. Genentech has been one of the most productive biotech names in the last twenty years - with the discovery of Herceptin, Rituxan and Avastin, among others.

Industry Semiconductors



ASML (Netherlands)

Gross Asset Exposure **5.0%**

Dutch company ASML is the largest supplier globally of photolithographic systems for the semiconductor industry. Its clients include most of the world's leading chip makers such as Intel and Samsung. ASML's products work with light sources, which generate ultraviolet light which is projected through a blueprint of a geometric chip pattern. Optics reduce and focus the pattern onto a thin slice of silicon, coated in a light-sensitive substance. The light interacts with the chemical, working to 'print' the pattern on to the wafer. Later in the process a three-dimensional structure is revealed, and the procedure is repeated multiple times.

Industry Personal Goods

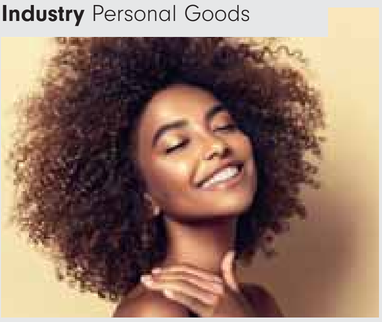
LVMH Moët Hennessy (France)

Gross Asset Exposure **4.9%**

French multinational luxury goods conglomerate LVMH Moët Hennessy prides itself on being a world leader in luxury.

It owns 75 brands, across wine and spirits, fashion and leather goods, perfume and cosmetics, watches and jewellery and selective retailing. Among the most renowned names in its stable are Dom Perignon, Moët & Chandon, Christian Dior, Marc Jacobs, Acqua di Parma and Chaumet. In the last few years there has been renewed focus on improvement of production methods and the development of digital activities.

Industry Personal Goods



L'Oréal (France)

Gross Asset Exposure **3.8%**

The leading beauty manufacturer worldwide, L'Oréal has 36 brands and a presence in 150 countries. Demographic trends, particularly in emerging markets with their expanding middle class, are supportive. Research and development remain a priority for the management team which stresses the need for innovation and superior quality in a world of ratings and reviews.

Industry Software

SAP (Germany)

Gross Asset Exposure **3.7%**

SAP is a multinational software operation which manufactures enterprise software and provides cloud services to assist in the running of business operations and customer services. More than 75% of the world's transaction revenue touches an SAP system. The company has in excess of 440,000 customers in more than 180 countries.

Industry Electricity

Enel (Italy)

Gross Asset Exposure **3.6%**

Enel (Italy's national entity for electricity) was founded in 1962 with the fusion of more than a thousand energy producers. In 2004, the company became the first private company in the renewable power sector to be listed on the Dow Jones Sustainability Index.

Industry Pharmaceuticals

Sanofi (France)

Gross Asset Exposure **3.4%**

Sanofi, the French biopharmaceuticals giant, has 73 manufacturing sites in 32 countries and more than 100,000 employees. The company has five key healthcare areas of focus - diabetes and cardiovascular, speciality care, vaccines, consumer healthcare and general medicines, and emerging markets. The management team highlights a growing and aging global population as a supportive secular factor and points out that medical needs remain high.

Industry Healthcare Services

Novo Nordisk (Denmark)

Gross Asset Exposure **3.2%**

Global pharmaceuticals company, Novo Nordisk, has production sites on five continents and research and development facilities in Demark, China and the US. The company's mission is to drive change and defeat diabetes and other serious chronic diseases by discovering and developing innovative biological medicines and distributing these around the world. Novo Nordisk produces more than half of the world's supply of insulin.

Industry Oil & Gas

Total (France)

Gross Asset Exposure **3.1%**

One of seven supermajor oil companies, Total has produced oil and gas for almost one hundred years. It has a presence in more than 130 countries and produces almost 3m barrels of oil equivalent per day of hydrocarbons. The company was founded after the First World War, when French president Raymond Poincaré encouraged the creation of a French oil company. Today Total has more than 107,000 employees across the globe focused on the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end consumer.

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

Portfolio Listing
as at 31 December 2020

The Gross Asset Exposures shown below and on the next page 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	%[1]	Balance Sheet Value £'000
Long Exposures – shares unless otherwise stated			
Nestlé Packaged Food	84,379	6.9	84,379
Roche Pharmaceuticals	64,692	5.3	64,692
ASML Semiconductors	61,019	5.0	61,019
LVMH Moët Hennessy Personal Goods	60,049	4.9	60,049
L'Oréal Personal Goods	46,275	3.8	46,275
SAP Software	45,028	3.7	45,028
Enel Electricity	44,518	3.6	44,518
Sanofi (long CFD) Pharmaceuticals	41,272	3.4	205
Novo Nordisk Healthcare Services	39,122	3.2	39,122
Total Oil & Gas	37,693	3.1	37,693
Ten largest long exposures	**524,047**	**42.9**	**482,980**
Other long exposures			
Deutsche Börse Group	37,127	3.0	37,127
EssilorLuxottica	36,796	3.0	36,796
Linde (long CFD)	36,188	3.0	1,144
Legrand	36,021	3.0	36,021
3i Group	34,651	2.8	34,651
Partners Group	32,730	2.7	32,730
Swedish Match	32,500	2.7	32,500
Telenor	30,760	2.5	30,760
Symrise	28,834	2.4	28,834
DNB	26,669	2.2	26,669
Zurich Insurance Group	26,465	2.2	26,465
Schindler Holding	26,123	2.1	26,123
DKSH Holding	25,851	2.1	25,851

	Gross Asset Exposure £'000	%[1]	Balance Sheet Value £'000
Hermes International	24,478	2.0	24,478
Sika	22,736	1.9	22,736
Dassault Systèmes	22,426	1.9	22,426
Fresenius Medical Care (long CFD)	21,895	1.7	186
Grifols	19,807	1.6	19,807
Prosus	18,356	1.5	18,356
Sampo	18,133	1.5	18,133
Amadeus IT Group	17,965	1.5	17,965
Kone	17,764	1.5	17,764
Intesa Sanpaolo	17,412	1.4	17,412
MTU Aero Engines	16,275	1.3	16,275
KBC Group	16,155	1.3	16,155
Société des Bains de Mer de Monaco	14,539	1.2	14,539
SIG Combibloc Group	13,903	1.1	13,903
Edenred	12,452	1.0	12,452
Fielmann	11,988	1.0	11,988
EQT	11,903	1.0	11,903
Red Electrica	11,085	0.9	11,085
ABN AMRO Bank	10,584	0.9	10,584
Chr. Hansen	9,562	0.8	9,562
Sodexo	9,520	0.8	9,520
Intertek Group	8,883	0.7	8,883
Umicore	8,741	0.7	8,741
Atlantia	8,694	0.7	8,694
Total long exposures before long futures	**1,300,018**	**106.5**	**1,202,198**
Long Futures			
Euro Stoxx 50 Future March 2021	50,359	4.1	481
Total long exposures after long futures	**1,350,377**	**110.6**	**1,202,679**
Short Exposures			
Short CFDs (2 holdings)	13,922	1.2	(300)
Gross Asset Exposure[2]	**1,364,299**	**111.8**	
Portfolio Fair Value[3]			**1,202,379**
Net current assets (excluding derivative assets and liabilities)			17,906
Shareholders Funds (per Balance Sheet)			**1,220,285**

1 Gross Asset Exposure is expressed as a percentage of Shareholders' Funds.
2 Gross Asset Exposure comprises market exposure to investments of £1,200,663,000 (per Note 10: Investments on page 63) plus market exposure to derivative instruments of £163,636,000 (per Note 11: Derivative instruments on page 64).
3 Portfolio Fair Value comprises Investments of £1,200,663,000 plus derivative assets of £2,119,000 less derivative liabilities of £403,000 (per the Balance Sheet on page 55).

Distribution of the Portfolio
as at 31 December 2020

The table below and on the next page 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 derivatives instruments.

	France	Switzerland	Germany	Netherlands	Italy	Norway	Spain	Denmark	Sweden	UK	Other	**Total 2020[1]**	**Index 2020[2]**	Total 2019
Consumer Goods														
Personal Goods	10.9	–	–	–	–	–	–	–	–	–	–	10.9	6.0	9.0
Food Producers	–	7.0	–	–	–	–	–	–	–	–	–	7.0	5.6	7.1
Tobacco	–	–	–	–	–	–	–	–	2.8	–	–	2.8	0.2	2.7
Automobiles & Parts	–	–	–	–	–	–	–	–	–	–	–	–	3.5	–
Beverages	–	–	–	–	–	–	–	–	–	–	–	–	2.1	–
Household Goods & Home Construction	–	–	–	–	–	–	–	–	–	–	–	–	0.7	–
Leisure Goods	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	10.9	**7.0**	**–**	**–**	**–**	**–**	**–**	**–**	**2.8**	**–**	**–**	**20.7**	**18.3**	**18.8**
Financials														
Financial Services	–	2.8	3.1	–	–	–	–	–	1.1	2.9	–	9.9	3.6	8.9
Banks	–	–	–	1.0	1.5	2.3	–	–	–	–	1.4	6.2	6.4	9.5
Nonlife Insurance	–	2.3	–	–	–	–	–	–	–	–	1.6	3.9	4.8	2.0
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	1.5	–
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.7	–
Real Estate Investment Trust	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
	–	**5.1**	**3.1**	**1.0**	**1.5**	**2.3**	**–**	**–**	**1.1**	**2.9**	**3.0**	**20.0**	**17.4**	**20.4**
Health Care														
Pharmaceuticals & Biotechnology	3.5	5.4	–	–	–	–	1.7	4.2	–	–	–	14.8	11.7	14.4
Health Care Equipment & Services	3.1	–	1.8	–	–	–	–	–	–	–	–	4.9	4.0	5.1
	6.6	**5.4**	**1.8**	**–**	**–**	**–**	**1.7**	**4.2**	**–**	**–**	**–**	**19.7**	**15.7**	**19.5**
Industrials														
Industrial Engineering	–	2.2	–	–	–	–	–	–	–	–	2.3	4.5	4.6	4.2
Support Services	1.1	2.2	–	–	–	–	–	–	–	0.8	–	4.1	2.3	3.7
Electronic & Electrical Equipment	3.1	–	–	–	–	–	–	–	–	–	–	3.1	1.5	2.8
Construction & Materials	–	2.0	–	–	–	–	–	–	–	–	–	2.0	3.5	1.7
Aerospace & Defense	–	–	1.4	–	–	–	–	–	–	–	–	1.4	1.8	1.7
General Industrials	–	1.1	–	–	–	–	–	–	–	–	–	1.1	1.7	0.3
Industrial Transportation	–	–	–	–	0.8	–	–	–	–	–	–	0.8	2.0	1.3
	4.2	**7.5**	**1.4**	**–**	**0.8**	**–**	**–**	**–**	**–**	**0.8**	**2.3**	**17.0**	**17.4**	**15.7**
Technology														
Software & Computer Services	2.0	–	3.8	1.6	–	–	1.6	–	–	–	–	9.0	4.6	7.7
Technology Hardware & Equipment	–	–	–	5.0	–	–	–	–	–	–	–	5.0	4.5	3.6
	2.0	**–**	**3.8**	**6.6**	**–**	**–**	**1.6**	**–**	**–**	**–**	**–**	**14.0**	**9.1**	**11.3**

	France	Switzerland	Germany	Netherlands	Italy	Norway	Spain	Denmark	Sweden	UK	Other	**Total 2020[1]**	**Index 2020[2]**	Total 2019
Basic Industries														
Chemicals	–	–	5.5	–	–	–	–	–	–	–	–	5.5	4.3	6.2
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.6	–
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.5	–
Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	–	**–**	**5.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5.5**	**5.6**	**6.2**
Consumer Services														
Travel & Leisure	2.8	–	0.7	–	–	–	–	–	–	–	–	3.5	0.5	2.5
General Retailers	–	–	1.1	–	–	–	–	–	–	–	–	1.1	2.1	1.0
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.1	–
Media	–	–	–	–	–	–	–	–	–	–	–	–	0.9	–
	2.8	**–**	**1.8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.6**	**4.6**	**3.5**
Utilities														
Electricity	–	–	–	–	3.6	–	0.9	–	–	–	–	4.5	3.2	1.0
Gas, Water & Multiutilities	–	–	–	–	–	–	–	–	–	–	–	–	1.9	–
	–	**–**	**–**	**–**	**3.6**	**–**	**0.9**	**–**	**–**	**–**	**–**	**4.5**	**5.1**	**1.0**
Oil & Gas														
Oil & Gas Producers	3.2	–	–	–	–	–	–	–	–	–	–	3.2	2.9	7.0
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.9	–
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	3.2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.2**	**4.1**	**7.0**
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	2.6	–	–	–	–	–	2.6	1.5	2.5
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	1.2	1.2
	–	**–**	**–**	**–**	**–**	**2.6**	**–**	**–**	**–**	**–**	**–**	**2.6**	**2.7**	**3.7**
Gross Asset Exposure – 2020	**29.7**	**25.0**	**17.4**	**7.6**	**5.9**	**4.9**	**4.2**	**4.2**	**3.9**	**3.7**	**5.3**	**111.8**		
Index – 2020	**21.8**	**19.6**	**19.5**	**7.8**	**5.0**	**1.4**	**5.0**	**5.0**	**7.4**	**–**	**7.5**		**100.0**	
Gross Asset Exposure – 2019	**29.0**	**18.9**	**19.6**	**6.1**	**4.7**	**5.4**	**4.8**	**3.7**	**2.9**	**4.7**	**7.3**			**107.1**

1 The Distribution of the Portfolio shows Gross Asset Exposure expressed as a percentage of Shareholders' Funds.
2 FTSE World Europe (ex UK) Index.

Attribution Analysis

Analysis of change in NAV total return for the year ended 31 December 2020	%
Impact of:	
Index	+2.7
Exchange Rate	+5.9
Gearing	+1.1
Stock Selection	+0.8
Expenses	-0.9
Cash	+0.1
NAV total return for the year ended 31 December 2020	**+9.7**

Ten Highest Contributors to NAV total return (on a relative basis)	%
Swedish Match	+1.1
ASML	+0.8
LVMH Moët Hennessy	+0.6
EQT	+0.5
DKSH Holding	+0.4
ENI	+0.4
Airbus	+0.4
L'Oréal	+0.4
Hermes International	+0.4
Bayer	+0.4

Ten Highest Detractors from NAV total return (on a relative basis)	%
ABN AMRO Bank	-0.9
Sodexo	-0.6
Total	-0.6
Grifols	-0.5
Adyen	-0.5
Sanofi	-0.5
Intesa Sanpaolo	-0.4
Vestas Wind Systems	-0.3
Atlantia	-0.3
KBC Group	-0.3

Source: Fidelity.

Ten Year Record

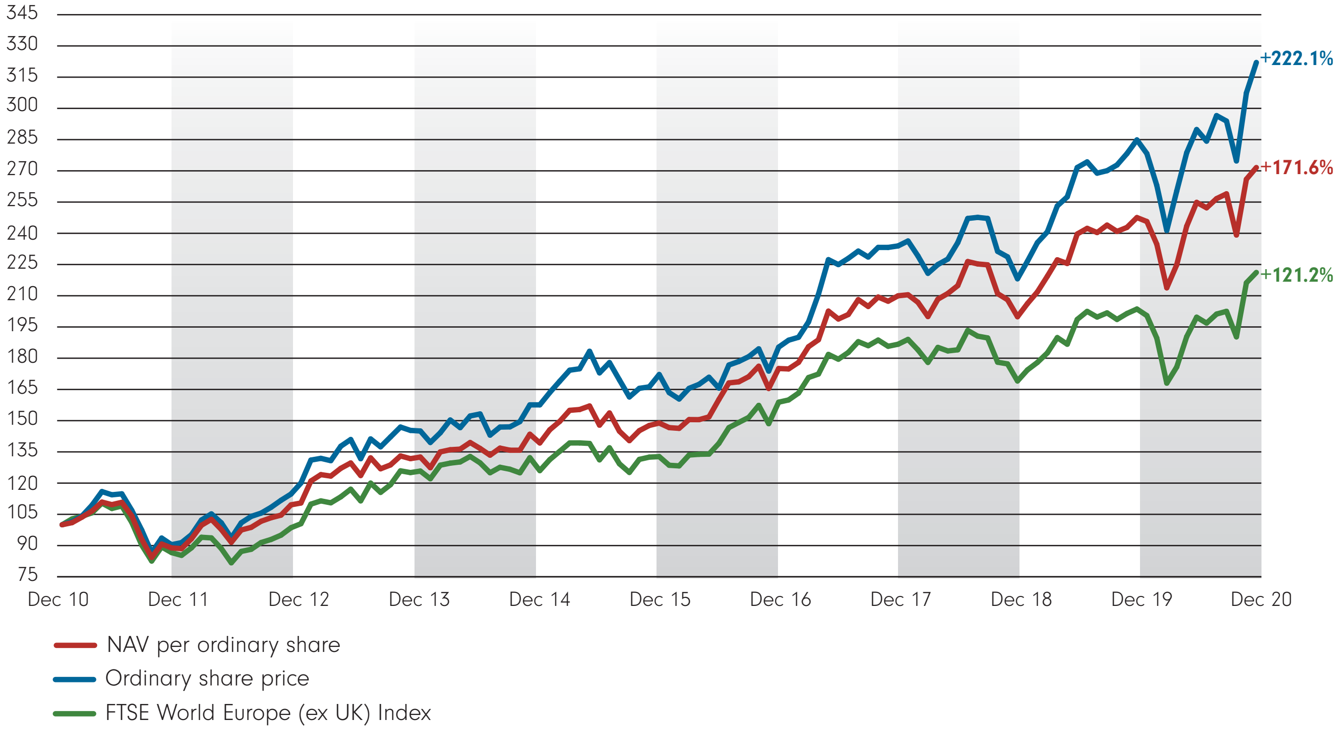
For the year ended 31 December	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets										
Gross Asset Exposure (£m)[1]	**1,364.3**	1,221.6	1,052.1	1,166.0	901.5	781.7	761.2	741.9	684.9	561.9
Shareholders' Funds (£m)	**1,220.3**	1,140.6	955.3	1,030.0	875.4	760.3	725.0	711.2	616.3	517.6
NAV per Ordinary Share (p)[2,3]	**296.57**	277.19	231.77	248.08	210.75	182.57	174.09	168.58	142.90	116.86
Ordinary Share Price and Discount										
Ordinary Share Price (p)[2]	**286.00**	260.00	207.00	226.70	183.50	174.00	162.50	152.50	128.70	100.30
Discount to NAV (%)[3]	**3.6**	6.2	10.7	8.6	12.9	4.7	6.7	9.5	9.9	14.2
Revenue and Costs										
Revenue return per Ordinary Share (p)[2,3]	**5.12**	7.00	6.94	4.37	4.34	3.37	3.67	2.98	2.78	2.69
Dividends per Ordinary Share (p)[2]	**6.50**	6.47	6.28[4]	4.35	4.17	3.33	3.64[5]	2.98	2.78	2.65
Ongoing Charges (Cost of running the Company)[3]	**0.86**	0.87	0.88	0.93	0.99	0.94	0.97	0.96	0.98	0.94
Gearing										
Gross Gearing (%)[3,6]	**11.8**	7.1	10.1	13.2	3.0	2.8	5.0	4.3	11.1	8.6
Net Gearing (%)[3,7]	**9.4**	4.7	6.1	3.6	3.0	2.8	5.0	4.3	11.1	8.6
Performance Total Returns										
NAV per Ordinary Share (%)[3]	**+9.7**	+23.8	-4.8	+20.0	+17.6	+6.9	+5.1	+20.0	+24.7	-11.5
Ordinary Share Price (%)[3]	**+13.1**	+30.6	-6.8	+26.2	+7.6	+9.2	+8.7	+20.8	+31.3	-8.6
Benchmark Index (%)	**+8.6**	+20.4	-9.5	+17.5	+19.7	+5.3	+0.2	+25.2	+17.8	-14.7

1 The Gross Asset Exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments.
2 Figures prior to 2014 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014.
3 Alternative Performance Measures.
4 Includes 1.79 pence from the additional revenue generated from the change in the allocation of management fees and finance costs.
5 Includes a special dividend of 0.54 pence.
6 Gross Asset Exposure in excess of Shareholders' Funds.
7 Net Asset Exposure in excess of Shareholders' Funds.

Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

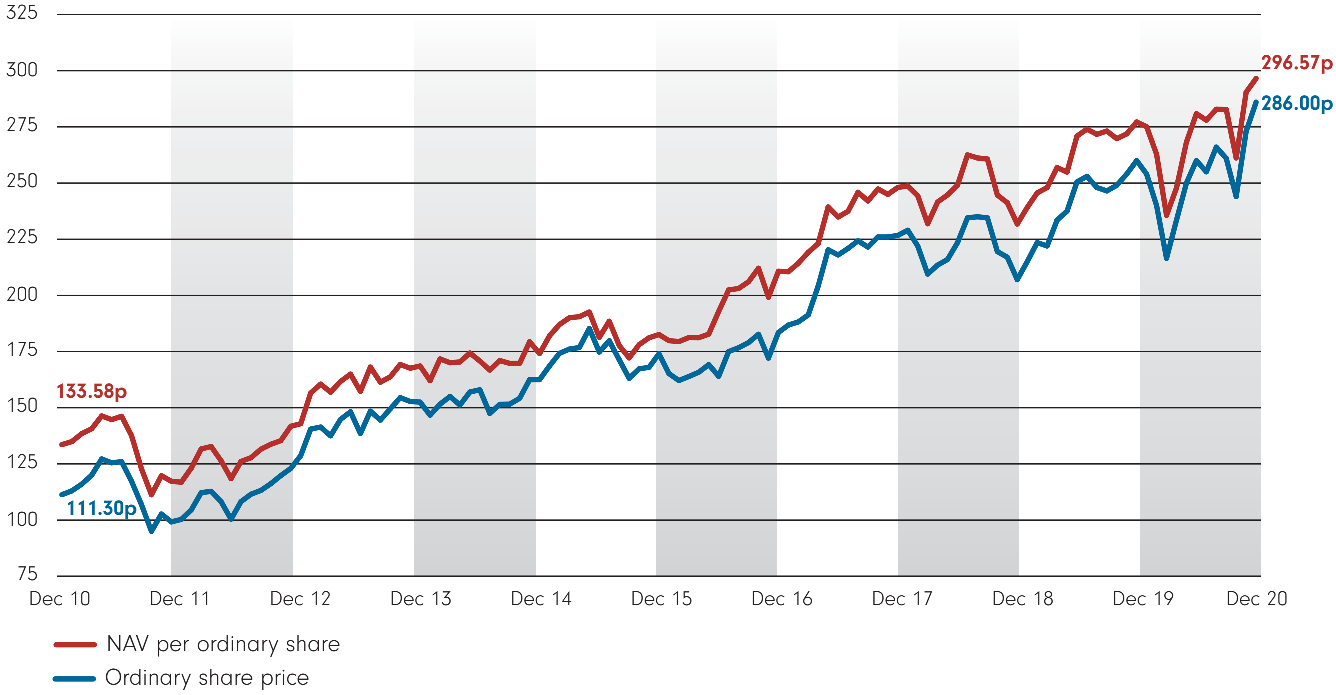
Summary of Performance Charts

Total return performance for ten years to 31 December 2020



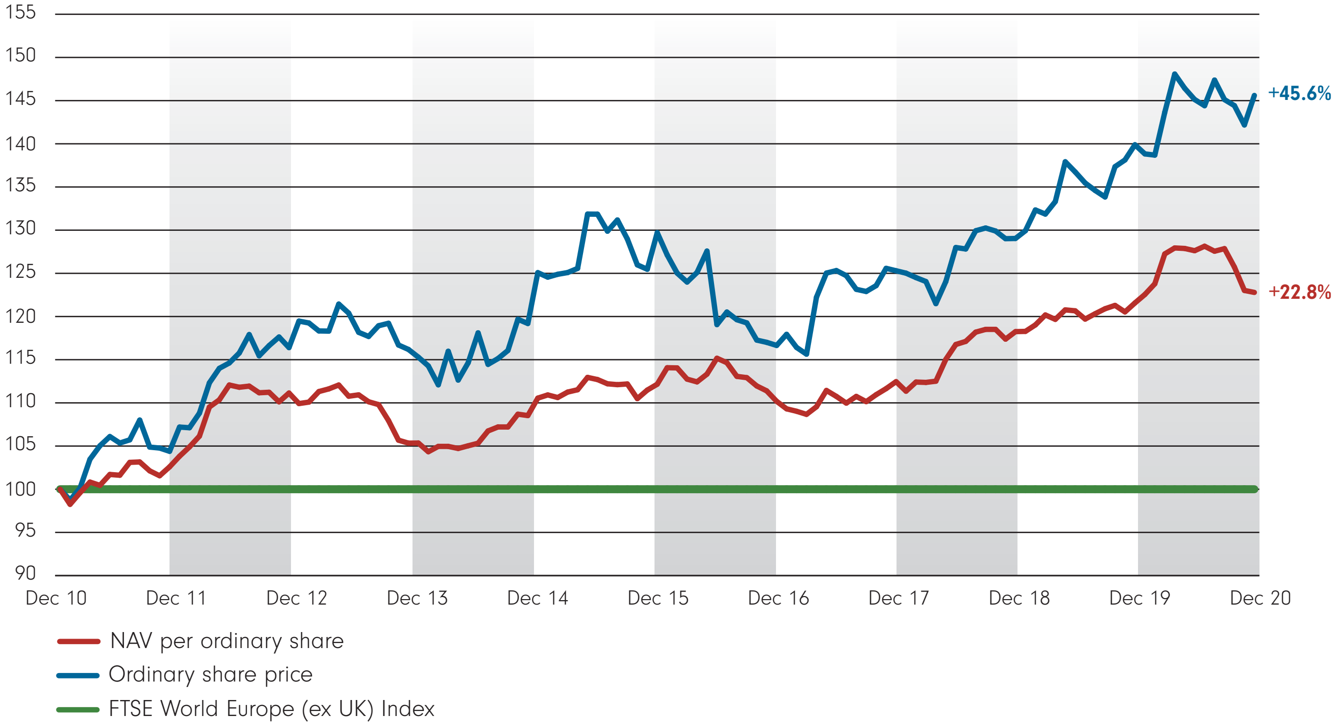
Prices rebased to 100.
Sources: Fidelity and Datastream.

NAV and ordinary share price for ten years to 31 December 2020



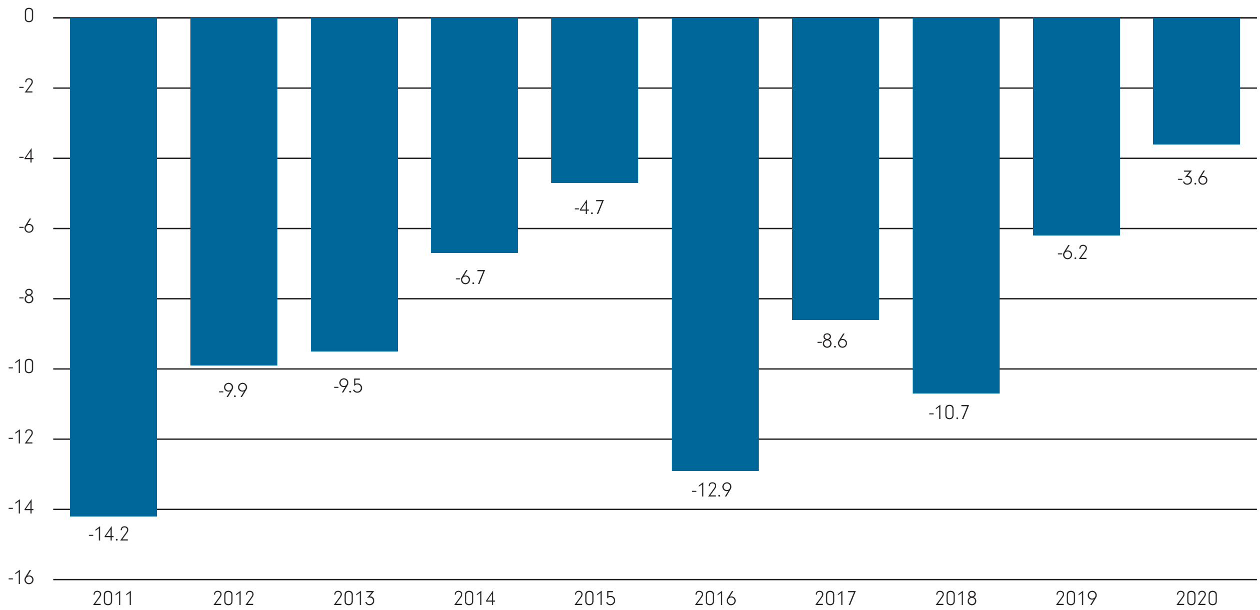
Sources: Fidelity and Datastream.

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



Prices rebased to 100.
Sources: Fidelity and Datastream.

Discount to NAV for the ten years to 31 December 2020 (%)



Sources: Fidelity.

Strategic Report

INVESTMENT APPROACH

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 11 also 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 growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of investments, consisting primarily of continental European equities. 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 the use of 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 World Europe (ex UK) 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 year to year.

Other than the change in the Company's name on 1 October 2020, the objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2020.

Investment Management Philosophy, Style and Process

The Portfolio Manager's three principles for investing in equities are:

- **Bottom up** – stock selection with a focus on dividend growth;
- **Long term** – a long term view improves performance and reduces costs; and
- **Cautious** – a focus on managing downside risk creates a strong foundation for long term outperformance.

The Portfolio Manager's key focus is on identifying attractively valued companies which show good long term structural growth prospects and which he believes can grow their dividends over the next few years, as he believes these are likely to outperform over time.

In order to identify these companies, the Portfolio Manager looks for the following main characteristics:

- **Positive fundamentals** – structural growth, disciplined use of capital, proven business models;
- **Cash generative** – often a good indication of future dividend growth;
- **Strong balance sheet** – ensures ability to grow dividends is not jeopardised; and
- **Attractive valuation** – good quality at a reasonable price.

The Portfolio Manager draws upon the extensive research generated by Fidelity's team of pan-European analysts when researching companies. This first hand research is fundamental to seeking success stories of the future. A great deal of importance is placed on attending company meetings. Being a bottom-up stock picker, the Portfolio Manager aims to generate outperformance through company selection, on a three to five year investment horizon, rather than through sector or country positions.

Investment Policy

The Company invests predominantly in continental European companies with a view to achieving long term growth in both capital and income for shareholders. The portfolio is selected by the Investment Manager on the basis of its assessment of the fundamental value available in individual situations and with a typical focus on larger companies which show prospects for sustainable long term dividend growth. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not restricted in terms of size, industry, or geographical split, although certain investment restrictions apply in an attempt to diversify risk.

Investment restrictions

- A minimum of 80 per cent of gross assets will be invested in companies from countries which are included in the Benchmark Index (the FTSE World Europe (ex UK) Index).
- A maximum of:

a) 20 per cent of gross assets may be invested in stocks of European countries* which are not included in the Company's Benchmark Index. This will include investing in UK companies, defined as companies in the FTSE All-Share Index; and

b) 5 per cent of gross assets may be invested in stocks of non-European countries where those stocks have some exposure to, or connection with Europe. Any investments in this category will count towards the 20 per cent maximum limit in paragraph (a) above.

* European country for the purposes of this paragraph means a country included within the FTSE All-World Europe Index and non-European is to be construed accordingly.

- A maximum of 10 per cent of the Company's gross assets may be invested in the aggregate of:

a) securities not listed on a recognised stock exchange; and

b) holdings in which the interest of the Company amounts to 20 per cent or more of the equity capital of any listed company.

- The Company will not invest more than 10 per cent of gross assets in any one quoted company at the time of acquisition.

- A maximum of 5 per cent of the Company's gross assets may be held in unquoted securities in aggregate at any one time.

- The maximum amount of cash or cash equivalents held by the Company will be 25 per cent of the Company's total net assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on derivatives. In practice the cash position will normally be much lower.

- The Board reserves the right to lend stock and/or assets of up to 10 per cent of the Company's total net assets.

- The Board reserves the right to hedge the portfolio by way of currency.

- A maximum of 10 per cent of the Company's gross assets may be invested in the securities of other investment companies (including listed investment trusts).

Derivative instruments
The Company may utilise derivative instruments, including index-linked notes, futures, contracts for difference ("CFDs"), covered call options, put options and other equity-related derivative instruments on a limited basis as a tool to meet the investment objective of the Company. They are used principally in the following ways:

- As an alternative form of gearing to bank loans. The Company would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs.

- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost.

- To enhance the investment returns by taking short exposures on stocks that the Investment Manager considers to be over-valued.

- To enhance returns through writing covered call options and writing put options.

The Board has created strict policies and exposure limits and sub-limits to manage derivatives. These limits and their impacts are monitored by the Manager on a daily basis and reported regularly to the Board. The limits are:

- The aggregate exposure of the Company to equities, including as a result of borrowing and the use of derivatives, but excluding hedging, will not exceed 130 per cent of total net assets (a gearing level of 30 per cent) at the time at which any derivative contract is entered into or a security acquired.

- The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10 per cent of total net assets at the time at which any derivative contract is entered into.

- The aggregate exposure of the Company under covered call options, being the notional exposure of the calls, will not exceed 20 per cent of total net assets at the time at which any derivative is entered into. The notional exposure of covered call options is the number of contracts written x the notional contract size x the market value of the underlying share price.

The majority of the Company's exposure to equities will be through direct investment, not through derivatives. In addition, the limits on exposure to individual companies and groups will be calculated on the basis that the Company has acquired the securities to which any derivative is providing exposure.

Gearing
The Company's normal policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing will be obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to securities selected by the Investment Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the order of magnitude of gearing in the Company while the Investment Manager decides gearing on a day-to-day basis within a range set by the Board. Gearing is reviewed at each Board meeting.

Performance
The Company's performance for the year ended 31 December 2020, including 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 11. The Portfolio Listing, the Distribution of the Portfolio, the Attribution Analysis, the Ten Year Record and the Summary of Performance Charts are set out on pages 14 to 21.

Results and Dividends
The Company's results for the year ended 31 December 2020 are set out in the Income Statement on page 53. The revenue return was 5.12 pence and the capital return was 20.74 pence, giving a total return of 25.86 pence per ordinary share.

The Directors recommend a final dividend of 3.90 pence per share for the year ended 31 December 2020 to be paid on 18 May 2021 to shareholders who appear on the register as at the close of business on 26 March 2021 (ex-dividend date 25 March 2021). Together with the interim dividend of 2.60 pence

Strategic Report continued

per share paid on 30 October 2020, the total dividends for the year are 6.50 pence per share.

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 table below. The Board's intention is for the NAV and share price to outperform the Benchmark Index and that the discount should be maintained in single digits in normal market conditions.

	Year ended 31 December 2020 %	Year ended 31 December 2019 %
NAV per Ordinary Share total return[1]	**+9.7**	+23.8
Ordinary Share Price total return[1]	**+13.1**	+30.6
FTSE World Europe (ex UK) Index total return (Benchmark Index)	**+8.6**	+20.4
Discount to NAV[1]	**3.6**	6.2
Ongoing Charges[1,2]	**0.86**	0.87

1 Alternative Performance Measures.
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs set out in the table above, the Board also monitors the factors contributing to investment results, as set out in the Attribution Analysis table on page 18 and also against its peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts showing this information are on pages 19 to 21.

RISK FRAMEWORK

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 continues 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 and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
Market risk	The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, exchange rate movements and ESG investing, including climate risk. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. 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 11. These risks are somewhat mitigated by the Company's 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. Risks to which the Company is exposed in the market risk category are included in Note 17 to the Financial Statements on pages 66 to 72 together with summaries of the policies for managing these risks.
Performance risk	The achievement of the Company's performance objective relative to the market requires the application of risk such as strategy, asset allocation and stock selection and may lead to underperformance of the Benchmark Index. The Board reviews the performance of the portfolio against the Company's Benchmark and that of its competitors and the outlook for the market with the Portfolio Manager at each Board meeting. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term performance as the Company may experience volatility of performance in the shorter term.

Principal Risks	Description and Risk Mitigation
Key person risk	There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with investment trust expertise. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board. As explained in the Chairman's Statement on page 3, the Board and Fidelity have appointed a Co-Portfolio Manager who has extensive experience in European companies and shares a common investment approach and complementary investment experience with the Portfolio Manager. This should help strengthen the investment process by introducing greater challenge and also increases the ability to meet more companies.
Economic and political risk	The Company and its assets may be impacted by economic and political risks, in particular concerns over global economic growth. The UK left the European Union ("EU") on 31 December 2020. The new rules governing the new relationship between the EU and UK took effect from 1 January 2021. However, there may be some short term impact whilst the new agreement is analysed and established in more detail. The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting. The Portfolio Manager provides a summary of any impact from the UK's departure from the EU on European equities and any action taken. The review also covers risks relating to trade tensions, rising interest rates and political unrest. The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 11 provide more detail.
Economic, Social and Governance ("ESG") Risk	There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate control. Fidelity has embedded ESG factors in its investment decision making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate 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. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor the developments in this area and reviews the positioning of the portfolio considering ESG factors. Further detail on ESG considerations in the investment process is on pages 28 to 31.
Discount control risk	The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. The Board continues to adopt an active discount management policy. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.
Gearing and Derivatives Risk	The Company can use loan facilities or derivative instruments to invest in equities. Derivative instruments are used to provide both protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to higher volatility in the NAV and the share price than might otherwise be the case. The principal risk is that the Portfolio Manager may fail to use gearing effectively, resulting in a failure to outperform in a rising market or to underperform in a falling market. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. The Board also considers the level of gearing and gearing risk on a regular basis and sets limits within which the Manager must operate.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Operational Risk from Cybercrime	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. 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. The Company's third party service providers also have similar measures in place.
Pandemic Risk	With the pandemic continuing to evolve and variants of COVID-19 appearing, it is evident that although COVID-19 is being tackled by the arrival of vaccines, risks remain. The roll-out of vaccines globally is slow and the effectiveness against the variants is uncertain. There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager carries on reviewing its business continuity plans and operational resilience strategies on an ongoing basis and continues to take all reasonable steps in 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 that all staff work from home and has implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager follows the self-isolation and lock-down arrangements on staff in line with Government recommendations and guidance. PricewaterhouseCoopers LLP has also confirmed in the AAF Internal Controls report issued to Fidelity that there have not been any significant changes to Fidelity's control environment as a result of COVID-19. 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. The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.

Other risks facing the Company include:

Tax and Regulatory Risks
There is a risk of the Company of not complying with tax and regulatory requirements.

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

There is a risk that outstanding withholding tax reclaims may not be recoverable from some jurisdictions and may need to be written-off. The Manager's tax team works closely with the Custodian to keep these under review and the Board is kept updated on the recoverability of the withholding tax reclaims. Brexit has not impacted any tax treaties between the UK and EU member states. These treaties remain in force and where applicable provide tax benefits to the Company. It has, however, lost access to tax benefits under two EU member states domestic laws; one permanently, Italy, where the tax rate on dividends has moved from 1.2% to 15%; and the other one, France, which is believed to be a temporary basis, where the rate has moved from 0% to 15%. The situation in France is complex as it is dependent upon equivalence and court rulings and, at the time of writing, it is not clear if or when the Company may be able to benefit again from a 0% rate. In addition the Company has lost access to tax benefits under Norway's domestic laws where the tax rate on dividends has moved from 0% to 15%.

The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

Other Operational Risks
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 programme 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 are investigated. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

Continuation Vote
A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company's NAV and share price is poor. The last continuation vote was at the Company's AGM held on 13 May 2019 and 100% of shareholders voted in favour of the continuation. The next continuation vote will take place at this year's AGM on 11 May 2021. The Directors recommend that shareholders vote in favour of the continuation of the Company as they intend to do in respect of their own shareholdings.

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 growth in both capital and income. 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 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 has been strong for the five year reporting period to 31 December 2020, with a NAV total return of 82.4%, a share price total return of 87.1% and a Benchmark Index total return of 66.7%. 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 mainly comprises 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 26.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which can be found in the Directors' Report on page 33.

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 is 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 pages 22 and 23.

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 at the address provided on page 80 or via the Company Secretary in writing at the same address or by email at **investmenttrusts@fil.com**. The Portfolio Manager meets with major shareholders, potential investors, stock market

Strategic Report continued

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 29 to 31.

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

- as part of ongoing Board succession, the appointment and induction of Sir Ivan Rogers to the Board with effect from 1 January 2020;
- the decision to pay an interim dividend of 2.60 pence per share and a final dividend of 3.90 pence per share, to maintain the Board's policy to pay progressive dividends in normal circumstances; and
- agreeing a reduction in the management fee with effect from 1 April 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. In terms of gender diversity, there were two female and three male Directors on the Board as at 31 December 2020. The Board's composition exceeds the target of 33% of women on FTSE 350 company Boards by 2020 set by the Hampton-Alexander Review. Ethnic diversity will be considered as part of the Board's next Director recruitment following recommendation from the 2020 Parker Review.

Board Apprentice Scheme

In 2019, the Board participated in the Board Apprentice Scheme (the "Scheme") and offered the successful candidate the opportunity to observe the workings of the Board and its Committees for a period of one year starting in November 2019. The objective of the Scheme is to increase diversity on boards. The Board Apprentice did not receive a fee but it is intended that the experience gained will assist her ambition to become a non-executive director elsewhere at a point in the future. The Board again participated in the Scheme in 2020 and the successful candidate started in November and is being offered a similar experience by observing the meetings of the Board and its Committees for a period of one year.

Environmental, Social and Governance ("ESG") in the Investment Process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an important input into the assessment of the value of its investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. 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**. Further information on Fidelity's approach to ESG in the investment process and sustainable investing can be found on pages 29 to 31 and are part of this Strategic Report.

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 Investment Manager who updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, the Company's own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

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 position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 11.

By Order of the Board
FIL Investments International
Secretary
16 March 2021

ESG in the Investment Process

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. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity's own proprietary ratings is on page 9. 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

Although Fidelity's analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invests, it has a dedicated Sustainable Investing Team working closely with the investment teams and is responsible for consolidating Fidelity's approach to stewardship, engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team have a key role in assisting the investment teams with ESG integration which includes:

- Implementing Fidelity's proxy voting guidelines.
- Engagement with investee companies on ESG issues including attending company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

Fidelity's investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and may often visit the companies in person to develop a view of every company in which Fidelity invests and ESG factors are embedded in this research process.

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.

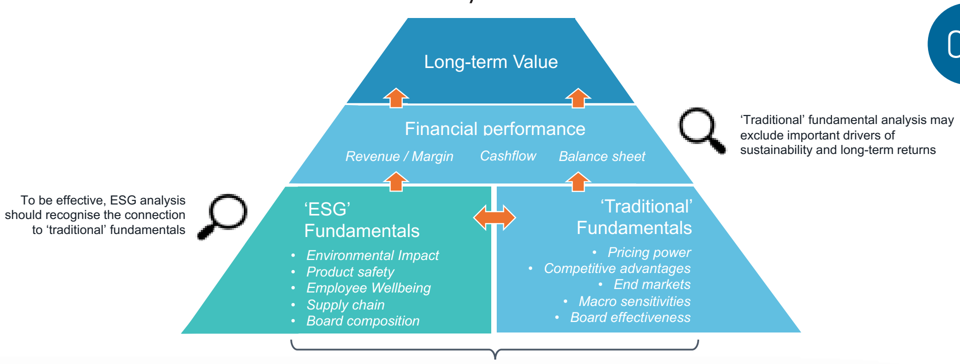
The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are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

ESG and Sustainable Investing at Fidelity

Why integrate ESG?

ESG as a dimension of fundamental analysis

01



Integrated Financial and ESG analysis captures the full range of fundamental factors impacting financial performance and long-term shareholder value

What we believe in

02

Enhance investment returns

- Incorporating ESG issues in our bottom up research leads to more complete analysis and better informed investment decisions
- Encouraging management teams to raise standards of sustainability leads to more robust and resilient business models and behaviours

Integrate non-financial objectives

- Seek to understand, measure and target the non-financial outcomes of our financial decisions
- Participate and promote the creation of industry frameworks and measurements aimed at contribution of businesses to environmental and societal transitions

Apply local context

- Understand and apply ESG in the context of the local market and objectives of local regulators and policy-makers
- Interpret ESG from a bottom up issuer perspective, recognising differences in materiality of factors between industries, geographies and business models

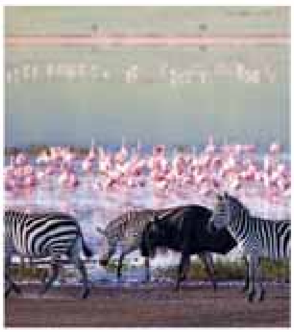
Engagement and collaboration

- Prefer engagement over exclusion as a means of promoting and transitioning to more sustainable forms of production and consumption
- Collaborate with clients, peers and civil society organisations to maximise influence and leverage positive outcomes

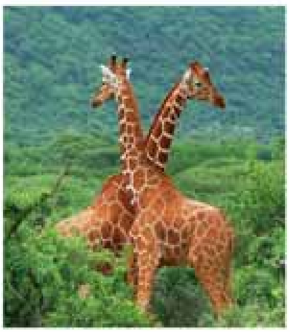
Which leads to our approach

03

Integration across asset classes

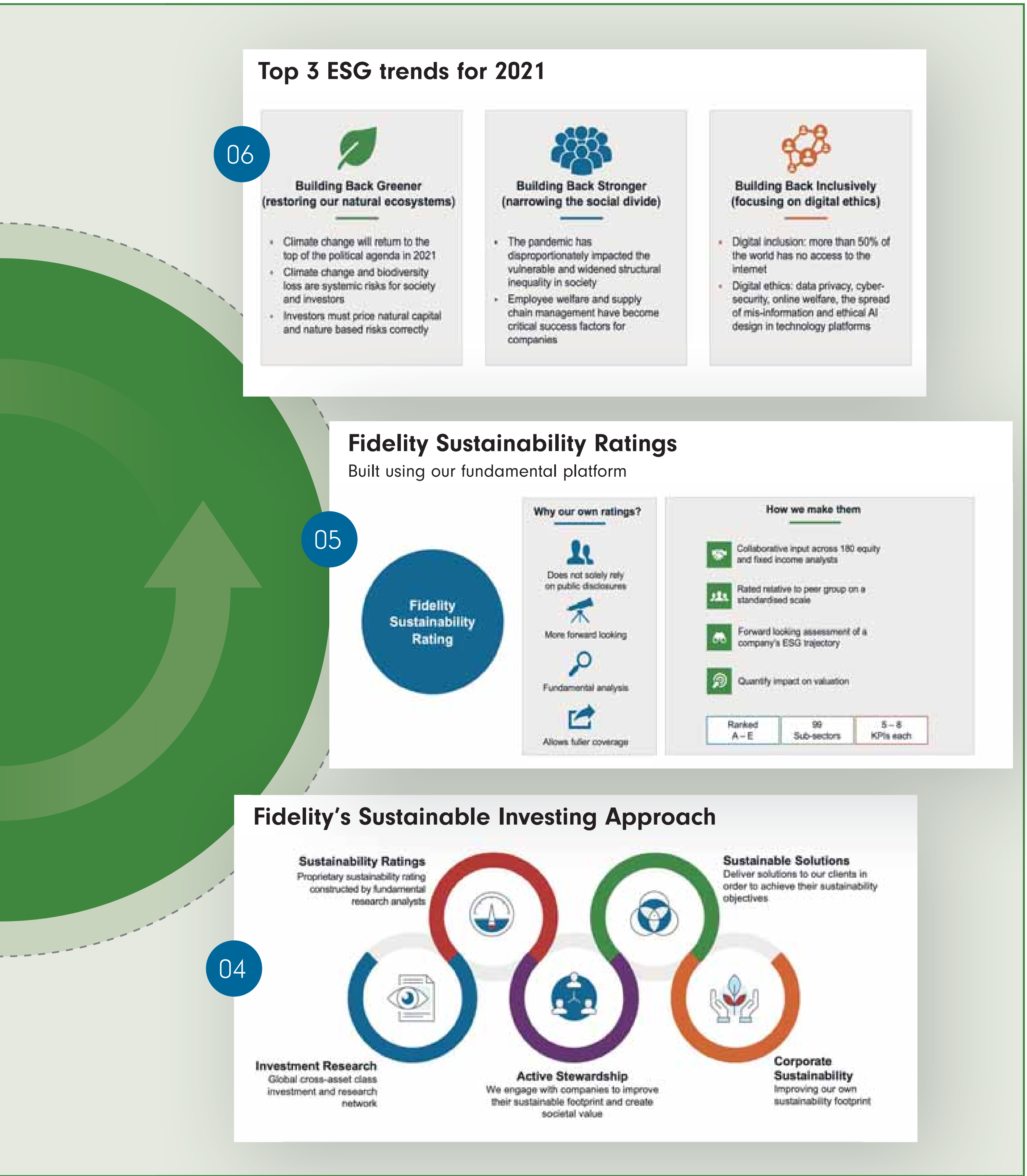


Corporate and regulatory engagement

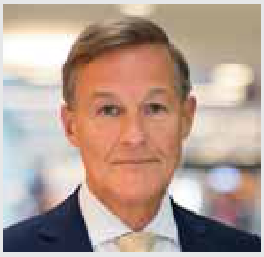


Industry collaboration

Fidelity has developed an approach to sustainable investing that is built on integrated ESG analysis, engagement and collaboration. It believes that each of these elements complement each other and increases the likelihood of success and enhances the returns for the Company's shareholders.



Board of Directors



Vivian Bazalgette
Chairman (since 12 May 2016)
Appointed 1 December 2015

M

Vivian Bazalgette is a Trustee of St. Christopher's Hospice. He was previously Chief Investment Officer at M&G PLC, a non-executive Director of St James's Place PLC, including Chairman of the Investment Committee of St James's Place, and a non-executive Director of Perpetual Income and Growth Investment Trust PLC, Henderson High Income Trust PLC and Brummer Investment Trust PLC. He was an Adviser to BAE Systems Pension Fund.

Marion Sears
Senior Independent Director (since 14 May 2018)
Appointed 17 January 2013

A M

Marion Sears is Senior Independent Director of Aberdeen New Dawn Investment Trust PLC, a non-executive Director of Dunelm Group plc and a Director of WA Capital. She was previously a non-executive Director of Persimmon PLC. Her executive career was in investment banking mergers and acquisitions, broking and the pharmaceutical industry.

Fleur Meijs
Chair of the Audit Committee (since 14 May 2018)
Appointed 1 September 2017

A M

Fleur Meijs is a non-executive Director of Invesco Asia Trust plc and Ruffer LLP and she serves as Audit Committee Chair for both. She is also a Director of Bridge to the Future, the endowment fund for UWC (United World College) Mostar and UWC Mostar. She is a Chartered Accountant and was a Financial Services Partner at PricewaterhouseCoopers LLP until May 2016. She was also a member of the Dutch Parliamentary committee in 2013 for the structure of banks in the Netherlands.

Paul Yates
Director
Appointed 6 March 2017

A M

Paul Yates is Chairman of the Advisory Board of 33 St James's Limited and is a non-executive Director of Witan Investment Trust plc and Capital Gearing Trust P.l.c. He was previously a non-executive Director of Aberdeen Diversified Income and Growth Trust plc and The Merchants Trust plc. He has an extensive career in investment management and he was CEO of UBS Global Asset Management (UK) Limited and in a number of global roles at UBS prior to retiring in 2007.

Sir Ivan Rogers
Director
Appointed 1 January 2020

A M

Sir Ivan Rogers is a former British civil servant, formerly the Permanent Representative of the UK to the European Union for over three years until the beginning of 2017. Prior to this, he was Principal Private Secretary to one British prime minister and head of the Europe and Global Issues Secretariat for another. He was twice the UK's G7/G8 Sherpa and the EU and G20 Sherpa. For the majority of his career, he has worked closely with and for the UK government and EU institutions. In addition, he spent five years in the private sector holding senior public sector banking roles for Citigroup UK and Barclays Capital.

All Directors are non-executive Directors and all are independent.

Committee membership key

A Audit   M Management Engagement   A Audit Committee Chair   M Management Engagement Committee Chairman

Directors' Report

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

The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the registered number 2638812 and was launched as an investment trust on 5 November 1991.

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

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 Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management 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 39.

Current Management Fee
Since 1 April 2018, the Company has had a tiered fee arrangement in place which is an annual rate of 0.85 per cent on the first £400 million of the Company's net assets reducing to 0.75 per cent on net assets in excess of £400 million. Fees for the reporting year were £8,899,000 (2019: £8,476,000) and are disclosed in Note 4 on page 59.

Revised Management Fee
The Board has agreed a revised tiered fee arrangement for the Company with effect from 1 April 2021. The current annual rate of 0.85 per cent on the first £400 million of the Company's net assets will remain unchanged and a revised lower rate of 0.65 per cent will apply to net assets in excess of £400 million. There will be no change to the investment process as a result of the revised fee.

The Board
All Directors served on the Board throughout the year ended 31 December 2020 and up to the date of this report with the exception of Dr Robin Niblett who stepped down at the conclusion of the AGM on 12 May 2020. A brief description of all serving Directors as at the date of this Annual Report is shown on page 32 and indicates their qualifications for Board membership.

Directors' and Officers' Liability Insurance
In addition to the 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 approval of the Financial Statements. 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 26. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 27.

Auditor's Appointment
A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 11 May 2021.

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:

a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

b) 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.

Corporate Governance
The Corporate Governance Statement forms part of this report and can be found on pages 37 to 40.

Registrar, Custodian and Depositary Arrangements
The Company has appointed Link Group 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 5 on page 60.

Share Capital
The Company's share capital comprises ordinary shares of 2.5 pence each which are fully listed on the London Stock Exchange. As at 31 December 2020, the issued share capital of the Company was 416,447,910 ordinary shares (2019: 416,447,910) of which 4,981,861 shares (2019: 4,981,861) are held in Treasury. Shares in Treasury do not have voting rights and therefore the total number of shares with voting rights was 411,466,049 (2019: 411,466,049).

Directors' Report continued

Premium/Discount Management: Enhancing Shareholder Value
The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It 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 holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time. Details of the Board's discount management policy can be found in the Chairman's Statement on page 4.

Share Issues
No ordinary shares were issued in the year to 31 December 2020 (2019: nil) and none 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 11 May 2021 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases
No ordinary shares were repurchased for cancellation or for holding in Treasury in the year to 31 December 2020 (2019: 706,777 ordinary shares repurchased into Treasury) and none have been repurchased since the year end and as at the date of this Annual Report.

The authority to repurchase ordinary shares expires at the AGM on 11 May 2021 and a resolution to renew the authority to repurchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests
As at 31 December 2020 and 28 February 2021, 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 December 2020 %	28 February 2021 %
Fidelity Platform Investors	**16.24**	16.10
Wells Capital Management	**9.18**	9.16
Brewin Dolphin	**7.83**	7.81
Quilter Cheviot Investment Management	**6.74**	6.86
Rathbones	**5.39**	5.51
Hargreaves Lansdown	**4.34**	4.36
Interactive Investors	**3.63**	3.82
Smith & Williamson Wealth Management	**3.08**	3.15

An analysis of shareholders as at 31 December 2020 is detailed in the table below.

Shareholders	% of voting share capital
Private Investors[1]	**74.78**
Mutual Funds	**16.96**
Insurance Funds	**3.02**
Pension Funds	**2.89**
Hedge Funds	**2.10**
Trading	**0.25**
Total	**100.00**

1 Includes Fidelity Platform Investors (16.24%).

Additional Information required in the Directors' Report
Information on proposed dividends, financial instruments and disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 22 to 31.

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 or other financial adviser authorised under the Financial Services and Markets Act 2000.

In response to the continuing widespread nature of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited. With this in mind, and to fulfil the legal requirement to have an AGM, this year's AGM will be conducted as a closed session at the Company's registered office and will be restricted to the formal business of the meeting and voting on the resolutions therein.

Ahead of the AGM on 11 May 2021, an online presentation by the Chairman and the Portfolio Manager will be held at 2.00 pm on 29 April 2021 which will cover a review of the year and the outlook for 2021. You will also have the opportunity to put your questions to both the Chairman and the Portfolio Manager live. Details will be made available nearer the time at **www.fidelity.co.uk/europe**. If anything changes then we will advise investors via the website. Copies of the Portfolio Manager's presentation can be requested by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. 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.

Protecting the health of all investors, workforce and officers must be paramount at the current time. We urge all shareholders to vote and 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 in order to lodge your voting instructions.

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 Group, the Registrar, introduced a paperless proxy voting process in 2018. However, in view of the public health impact of COVID-19 and your well-being as shareholders, and as attendance in person may not be 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 11 May 2021, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 76 and 77, including the items of special business summarised below.

Authority to Allot Shares
Resolution 11 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 £520,560. If passed, this resolution will enable the Directors to allot a maximum of 20,822,395 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 16 March 2021, 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 12 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 £520,560 (including Treasury shares) (approximately 5% of the issued ordinary share capital of the Company as at 16 March 2021 and equivalent to 20,822,395 ordinary shares).

Authority to Repurchase Shares
Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (61,678,760) of the ordinary shares in issue (excluding Treasury shares) on 16 March 2021, 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 made at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Continuation Vote
Resolution 14 is an ordinary resolution regarding the continuation of the Company as an investment trust for a further two years. The Directors expect this continuation vote to be passed.

Proposed changes to the Company's Articles of Association

Resolution 15 is a special resolution regarding the adoption of the New Articles of Association ("**New Articles**") by the Company.

Summarised below are the principal changes proposed to be introduced through the adoption of Articles by the Company. A copy of the proposed New Articles showing all the changes as against the current Articles of Association is available for inspection at **www.fidelity.co.uk/europe**, together with a copy of the current Articles of Association and a 'clean' copy of the New Articles (which do not highlight the amendments), from the date of this report until the end of the AGM (and at the AGM itself for the duration of the meeting and for at least 15 minutes prior to the meeting).

The documents are also available for inspection at Charles Russell Speechlys LLP, 5 Fleet Place, London EC4M 7RD until the close of the AGM. However, given the ongoing COVID-19 pandemic and related restrictions and attendance arrangements for this year's AGM, we would ask you to inspect the documents through the website rather than in person and to contact us by email at **investmenttrusts@fil.com** should you wish to inspect any documents in person.

Hybrid general meetings
The Company will continue to follow guidelines and consider the safety of those attending shareholder meetings during the pandemic, but also wants to provide the very best experience for shareholders in the longer term and be mindful of potential future restrictions.

Once it becomes safe and practicable to hold physical meetings again, it is not proposed to pursue fully "virtual" meetings where there is no physical location that shareholders can attend and attendance is only through electronic means.

The Board value the opportunity to meet and exchange views with shareholders and a physical meeting will remain its default format as long as Government guidance permits it, but the Board is also keen to provide additional virtual facilities for those shareholders who may not wish to or are unable to attend AGMs in person.

Directors' Report continued

It is therefore proposed to provide for the ability to hold "hybrid" meetings, where there is a primary physical location with the facility for shareholders who wish to do so to attend through electronic means. However, it is the current expectation of the Board that "hybrid" meetings would only be used where a solely 'physical meeting' is impracticable or unworkable.

The New Articles therefore permit (but do not require) the Company to hold "hybrid" general meetings, and add further flexibility to hold meetings across more than one physical location, but there would always be a primary physical location from which the Chair of the meeting would conduct proceedings. This will facilitate wider attendance by shareholders, but with the continued option for shareholders to attend a physical meeting in person should they wish to do so.

Various consequential and related changes have been made throughout the New Articles to reflect and facilitate these amendments.

Retirement of Directors at Annual General Meetings
In line with best practice and the UK Corporate Governance Code, for a number of years all Directors have offered themselves for re-election at every AGM (other than those very recently appointed who retire at the subsequent AGM).

At present, this is not a requirement under the Company's current Articles, which provide "retirement by rotation" provisions under which Directors appointed since the previous AGM, who have held office for the previous two AGMs without being re-elected, or who have held office for nine or more years are required to retire.

The New Articles have been simplified to provide that Directors retire at each AGM, but may offer themselves for re-election.

Regulatory restrictions and information requirements
Various international requirements for the exchange of information in relation to tax reporting have been brought in over recent years which the Company is required to comply with, such as pursuant to the U.S. Foreign Account Tax Compliance Act of 2010 (FATCA) and the OECD common reporting standard. For example, under the UK International Tax Compliance Regulations 2015, investment trust companies are required to provide information to HMRC on certain investors who purchase its shares and to provide information annually to the local tax authority on the tax residency of certain non-UK based shareholders.

The New Articles therefore include provisions to give the ability to the Company to require shareholders to co-operate in respect of the exchange of information to allow the Company to comply with its obligations and avoid related penalties being imposed upon it (including potentially having to pay withholding tax to the US Internal Revenue Service). The New Articles also update and clarify related provisions which provide for potentially onerous requirements affecting the Company as a result of international laws. In each case, the Company has powers to seek information and to procure or prevent the transfer of shares in order to avoid the impact of such penalties and/or onerous obligations being imposed upon it.

Dividend payment provisions
The provisions in relation to payment of dividends are being updated in the New Articles to reflect the additional ways in which dividends may be paid, particularly electronically, and to specify that the default option for payment may be by direct payment into a bank account. The provisions dealing with non-payment have also been expanded and clarified in the New Articles in respect of electronic payments.

Administrative updates
These include a specific provision for the certification of documents on behalf of the Company, updating provisions in relation to summary financial statements (now superseded by the ability to send strategic reports and supplementary material) and various minor clarificatory amendments.

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
16 March 2021

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment company.

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 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 44, set out how the principles have been applied.

The AIC Code can be found on the AIC's website at **www.theaic.co.uk** and the UK Code on the FRC's website at **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 BOARD

Board Composition

As at the date of this report, the Board, chaired by Vivian Bazalgette, consists of five non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of Europe and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Marion Sears is the Senior Independent Director and fulfils the role as a sounding board for the Chairman, intermediary for the other Directors as necessary, and to act as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all Directors are on page 32.

Board Responsibilities

The Board has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters reserved for the Board and considered at meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, and the appointments of the Manager and the Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All Directors are independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none has arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Directors are entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on the next page gives the attendance record for the meetings held in the reporting year. The Portfolio Manager and key representatives of the Manager also attend these meetings. Regular Board meetings exclude ad hoc meetings for formal approvals.

Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board undertakes a two day due diligence trip to Europe every other year. The next due diligence trip is scheduled for later this year. However, due to the current travel restrictions and the uncertainty around future travel plans, the Board is most likely to carry out this year's due diligence meetings virtually. The Directors also have meetings with Fidelity's Head of Investment Trusts and attend educational days organised by the Manager.

Corporate Governance Statement continued

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Vivian Bazalgette[1]	5/5	3/3[1]	1/1
Fleur Meijs	5/5	3/3	1/1
Robin Niblett[2]	3/3	1/1	1/1
Sir Ivan Rogers	5/5	3/3	1/1
Marion Sears	5/5	3/3	1/1
Paul Yates	5/5	3/3	1/1

1 Vivian Bazalgette, as Chairman of the Board, was invited to attend all three Audit Committee meetings held in the reporting year.
2 Retired on 12 May 2020.

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.

Changes to the Board
Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. Any proposal for the appointment of new Directors is discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants who have no connection with the Company are used to identify potential candidates.

Director Training
Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and Re-election of Directors
All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are listed with their details on page 32. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

Board Evaluation
An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. It takes the form of written questionnaires and discussions except for every third year when an external evaluation is undertaken. 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.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board carries out an externally facilitated evaluation every third year. Accordingly for the year ended 31 December 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.

Directors' Remuneration and Share Interests
Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 42 and 43.

BOARD COMMITTEES
The Board has two 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 and the Management Engagement Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at **www.fidelity.co.uk/europe**.

Audit Committee
The Audit Committee is chaired by Fleur Meijs and consists of all of the Directors, except for Vivian Bazalgette which is in line with the recommendation of the 2018 UK Corporate Governance Code that a chairman of a board should not be a member of an audit committee. Mr Bazalgette will generally be invited to attend the Audit Committee meetings as a guest.

Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 45 to 47.

Management Engagement Committee

Composition
The Management Engagement Committee is chaired by Vivian Bazalgette and consists of all of the Directors.

Role and Responsibilities
The Committee is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remain 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 structure and also that of its peers. The Committee noted the Company's good long term performance record and 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 December 2020 and also the revised fee structure with effect from 1 April 2021 are in the Directors' Report on page 33.

ACCOUNTABILITY AND AUDIT

Financial Reporting
Set out on page 44 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 48 to 52.

The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All financial statements are reviewed by the Audit Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

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 controls 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 work carried out by 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 December 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 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 Manager's 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 ("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 for 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 actions 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

Corporate Governance Statement continued

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.

Responsibility as 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**.

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 shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Board 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 concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and its shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at **investmenttrusts@fil.com** or write to the address provided on page 80. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

Under normal circumstances the Board would encourage shareholders to attend the AGM. However, in response to the continuing widespread nature of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited. Protecting the health of all investors, workforce and officers must be paramount at the current time. With this in mind, this year's AGM will be conducted as a closed session at the Company's registered office and will be restricted to the formal business of the meeting and voting on the resolutions therein.

Ahead of the AGM on 11 May 2021, an online presentation by the Chairman and the Portfolio Manager will be held at 2.00 pm on 29 April 2021 which will cover a review of the year and the outlook for 2021. You will also have the opportunity to put your questions to both the Chairman and the Portfolio Manager live. Details will be made available nearer the time at **www.fidelity.co.uk/europe**. We encourage all investors who have any questions or comments to contact the Secretary by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP and we will respond in due course.

The Notice of Meeting on pages 76 to 78 sets out the business of the AGM and the special business resolutions are explained more fully on pages 35 and 36 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

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 pages of the Manager's website at **www.fidelity.co.uk/europe**.

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

A special resolution to alter the Company's Articles of Association is being proposed at this year's AGM on 11 May 2021. Further details of the proposal can be found on pages 35 and 36 in the Directors' Report.

On behalf of the Board

Vivian Bazalgette

Vivian Bazalgette
Chairman
16 March 2021

Directors' Remuneration Report

Chairman's Statement
The Directors' Remuneration Report for the year ended 31 December 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 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.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the AGM on 11 May 2021. 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 48 to 52.

Directors' Remuneration
The annual fee structure is as follows: Chairman – £41,500; Chair of the Audit Committee – £32,500; and Director – £27,000. In addition, the Senior Independent Director receives a supplementary fee of £2,500. Directors' remuneration is reviewed on an annual basis to ensure that it remains 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 May 2020, is set out below.

The Remuneration Policy
The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 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 travel 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.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own 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 and 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 AGMs and can be obtained from the Company's registered office.

In common with most investment trusts there is no Chief Executive Officer and there are no employees.

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 May 2020 with 99.67% of votes cast in favour, 0.25% of votes cast against and 0.08% of votes withheld. The next vote will be put to shareholders at the AGM in 2023. The Policy has been followed throughout the year ended 31 December 2020 and up to the date of this report.

Voting on the Directors' Remuneration Report
At the AGM held on 12 May 2020, 99.69% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2019, 0.21% of votes were cast against and 0.10% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2020 will be put to shareholders at the AGM on 11 May 2021, and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelity.co.uk/europe**.

Single Total Figure of Directors' Remuneration
The single total aggregate Directors' remuneration for the reporting year was £167,300 (2019: £150,500). No taxable expenses were claimed by any in attending to the affairs of the Company. Directors' fees are disclosed in the table on the next page.

Directors' Remuneration Report continued

Remuneration of Directors	2021 Projected Total (£)	**2020 Fees (Audited) (£)**	**2020 Taxable Expenses (Audited) (£)**	**2020 Total (Audited) (£)**	2019 Fees (Audited) (£)	2019 Taxable Expenses (Audited) (£)	2019 Total (Audited) (£)
Vivian Bazalgette	41,500	**41,500**	**–**	**41,500**	40,000	–	40,000
Fleur Meijs	32,500	**32,500**	**–**	**32,500**	30,000	–	30,000
Robin Niblett[1]	n/a	**9,800**	**–**	**9,800**	26,000	–	26,000
Sir Ivan Rogers[2]	27,000	**27,000**	**–**	**27,000**	n/a	n/a	n/a
Marion Sears	29,500	**29,500**	**–**	**29,500**	28,500	–	28,500
Paul Yates	27,000	**27,000**	**–**	**27,000**	26,000	–	26,000
Total	157,500	**167,300**	**–**	**167,300**	150,500	–	150,500

1 Retired on 12 May 2020.
2 Appointed on 1 January 2020.

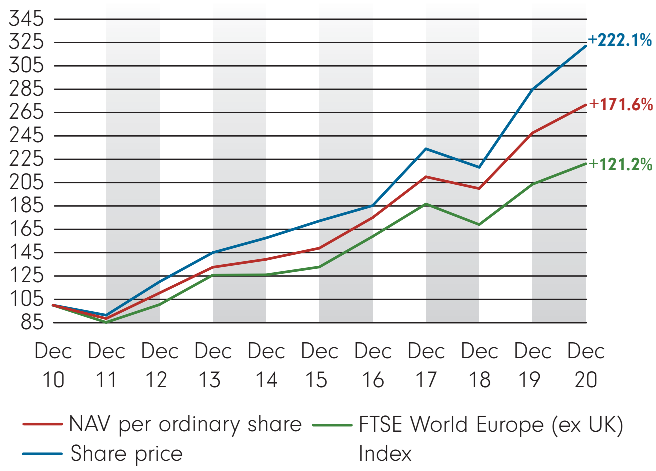
Expenditure on Directors' Remuneration and Distributions to Shareholders
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 December 2021 is disclosed in the table above.

	31 December 2020 £	31 December 2019 £
Expenditure on Directors' Remuneration:		
Fees and taxable expenses	**167,300**	150,500
Distributions to Shareholders:		
Dividend payments[1]	**26,663,000**	36,529,000
Shares repurchased	**–**	1,578,000

1 The dividend payments for 2020 are lower compared to 2019 as a result of the change in paying both an interim and a final dividend and the timing of the payments versus only one payment in 2019. See Note 9 on page 62 for further details.

Performance
The Company's investment objective is to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index for ten years to 31 December 2020.

Total return performance for ten years to 31 December 2020



Directors' Interest in the Company's 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.

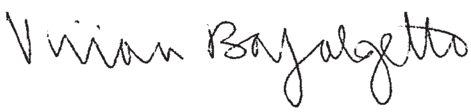
Directors' Shareholdings (Audited)

	31 December 2020	31 December 2019	Change during year
Vivian Bazalgette	**30,000**	30,000	–
Fleur Meijs	**28,970**	28,970	–
Robin Niblett[1]	**n/a**	18,625	–
Sir Ivan Rogers[2]	**–**	n/a	–
Marion Sears	**25,475**	25,475	–
Paul Yates	**32,000**	32,000	–

1 Retired on 12 May 2020.
2 Appointed on 1 January 2020.

All Directors' shareholdings remain unchanged at the date of this report.

On behalf of the Board



Vivian Bazalgette
Chairman
16 March 2021

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 period. 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 reporting 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 that comply with that law and those regulations.

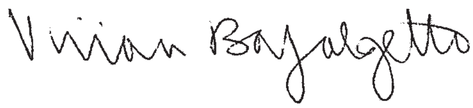
The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at: **www.fidelity.co.uk/europe** to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own 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 profit 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 16 March 2021 and signed on its behalf by:



Vivian Bazalgette
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 and how this has been assessed for the year ended 31 December 2020.

Composition of the Committee
The members of the Committee are myself as Chair and all the other Directors, except for Vivian Bazalgette. This is in line with the recommendation in the 2018 UK Corporate Governance Code that a Chairman of a Board should not be a member of the Audit Committee. He will generally be invited to attend the Committee meetings. All Committee members are independent non-executive Directors and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

Role and Responsibilities of the Committee
The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website at: **www.fidelity.co.uk/europe**. These duties include:

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls), considering the scope of the work undertaken by the Manager's internal audit department, including review of the work performed by Internal Audit, and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure that they are fair, balanced and understandable;
- Reviewing the existence and performance of controls operating in the Company, including review of internal controls reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depositary).

Meetings and Business Considered by the Committee
Since the date of the last Annual Report (18 March 2020), the Committee has met three times and the Auditor attended the November 2020 and March 2021 meetings.

The following matters were reviewed at each Committee meeting:

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The Depositary's oversight reporting;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

Report of the Audit Committee continued

In addition, the following matters were also considered at these meetings:

July 2020	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement • The interim dividend payment to be recommended to the Board for approval • Payment of dividends from capital
November 2020	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2020 • Cybersecurity reporting and review of potential threats • The Manager's business continuity risks and the ability to carry on operating from the disruption caused by COVID-19 • Internal Audit reporting, including review of the Internal Audit plan • Review of Fidelity's AAF Reports (assurance reports on internal control) • Review of outsourced third party service providers control reports
March 2021	• The Auditor's findings from the audit of the Company • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Viability, Fair, Balanced and Understandable and Going Concern Statements, including the impact of COVID-19 on the Company's performance, prospects and operations • The final dividend payment to be recommended to the Board and shareholders for approval

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 44. The 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. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Committee during the year

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

Recognition of Investment Income	Investment Income is recognised in accordance with Accounting Policy Note 2 (e) on page 56. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The revenue forecast reviews also included the impact on dividends of COVID-19. The Committee also considered the allocation of special dividends between revenue and capital. The Committee reviewed the internal audit and the compliance monitoring reports received from the Manager, including the AAF controls 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 derivative investments)	The valuation of investments (including derivatives) is in accordance with Accounting Policy Notes 2 (k) and 2 (l) on page 57. 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. The Committee's review included the impact of COVID-19 on the Company's portfolio from market volatility. 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 the derivative 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 on the next page.

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Auditor for the year ended 31 December 2020. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 60.

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 in the reporting year and up to the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its 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 December 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 12 May 2016 following a formal audit tender process in 2015. The Committee has 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 successor partner has been identified as 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.

Fleur Meijs
Chair of the Audit Committee
16 March 2021

Independent Auditor's Report to the Members of Fidelity European Trust PLC

Opinion
We have audited the Financial Statements of Fidelity European Trust PLC for the year ended 31 December 2020, which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related Notes 1 to 19, 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 December 2020 and of its profit 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. 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 going concern
In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2022. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Company.
- We considered the mitigating factors included in the revenue forecasts that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover working capital requirements should its revenue decline significantly.
- To assess the impact of the continuation vote on going concern, we considered the current and historical performance of the Company, reviewed feedback from the Manager and the broker in relation to discussions with certain shareholders about their current intentions for their continued investment in the Company and held discussions with the Directors regarding the impact the continuation vote had on their going concern assessment.
- We reviewed the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 March 2022 which is at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement. • Incorrect valuation or ownership of the investment portfolio and derivatives.
Materiality	• Overall materiality of £12.20m which represents 1% of the Company's net asset value as at 31 December 2020.

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. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement *Refer to the Report of the Audit Committee (page 46); Accounting policies (page 56); and Note 3 of the Financial Statements (page 59)* The Company has reported revenue of £25.55m (2019: £34.20m). During the year the Company received 1 special dividend amounting to £0.01m (2019: £0.10m), which was classified as revenue. 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. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	We performed the following procedures: • Walked through the revenue recognition process and obtained an understanding of the design and implementation of the controls; • For a sample of dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate 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; • For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the entitlement arose prior to 31 December 2020. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the amount receivable and agreed the subsequent cash receipts to post-year end bank statements; • To test completeness of recorded income, we tested that all expected dividends for sample of investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor; and • Only one special dividend was received during the year. Although below our testing threshold, we have reviewed the underlying circumstances and motives for the payments to verify the classification as revenue.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Income Statement.

Independent Auditor's Report to the Members of Fidelity European Trust PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio and derivatives *Refer to the Report of the Audit Committee (page 46); Accounting policies (page 57); and Notes 10 and 11 of the Financial Statements (pages 63 and 64).* The valuation of investments and derivatives as at the year-end was £1,202.4m (2019: £1,124.8m) comprising £1,200.7m (2019: £1,108.7m) of listed investments and £1.7m of net derivatives (2019: £16.1m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, including incorrect application of exchange rates, or failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and return generated for shareholders. The fair value of the listed investments is determined using quoted market prices at close of business on the reporting date.	We performed the following procedures: • Walked through the investment valuation process; • For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end; • We inspected the stale pricing report to identify prices that have not changed after the year end and verified whether the listed price is a valid fair value; and • We compared the Company's investment holdings at 31 December 2020 to independent confirmation received directly from the Company's Custodian and Brokers, testing any reconciling items to supporting documentation.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio and derivatives.

Our Key audit matters remain unchanged from the prior year.

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 £12.20m (2019: £11.41m), which is 1% (2019: 1%) of the net asset value of the Company. We have used the net asset value of the Company as the basis for setting materiality as it provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

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 judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £9.15m (2019: £8.55m). We have set performance materiality at this percentage due to past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Income Statement of £1.12m (2019: £1.55m) being 5% (2019: 5%) of the 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 £0.61m (2019: £0.57m), which is set at 5% (2019: 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 set out on page 34, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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.

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 course of 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 themselves. 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.

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.

Corporate Governance Statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 27;
- Directors' statement on fair, balanced and understandable set out on page 44;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 39; and
- The section describing the work of the Audit Committee set out on page 45.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 44, 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.

Independent Auditor's Report to the Members of Fidelity European Trust PLC continued

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
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company 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 UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how Fidelity European Trust PLC is complying with those frameworks through discussions with the Audit Committee and the Company Secretary and a 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 by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends as revenue or capital 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
- Following the recommendation of the Audit Committee, we were appointed by the Company on 12 May 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 December 2016 to 31 December 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
16 March 2021

Notes:
1. The maintenance and integrity of Fidelity International's website is the responsibility of the 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 December 2020

	Notes	Year ended 31 December 2020			Year ended 31 December 2019		
		revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Gains on investments	10	**–**	**89,664**	**89,664**	–	183,944	183,944
Gains on derivative instruments	11	**–**	**2,768**	**2,768**	–	17,516	17,516
Income	3	**25,552**	**–**	**25,552**	34,201	–	34,201
Investment management fees	4	**(2,225)**	**(6,674)**	**(8,899)**	(2,119)	(6,357)	(8,476)
Other expenses	5	**(845)**	**–**	**(845)**	(857)	–	(857)
Foreign exchange (losses)/gains		**–**	**(175)**	**(175)**	–	199	199
Net return on ordinary activities before finance costs and taxation		**22,482**	**85,583**	**108,065**	31,225	195,302	226,527
Finance costs	6	**(89)**	**(265)**	**(354)**	(254)	(760)	(1,014)
Net return on ordinary activities before taxation		**22,393**	**85,318**	**107,711**	30,971	194,542	225,513
Taxation on return on ordinary activities	7	**(1,325)**	**–**	**(1,325)**	(2,155)	–	(2,155)
Net return on ordinary activities after taxation for the year		**21,068**	**85,318**	**106,386**	28,816	194,542	223,358
Return per ordinary share	8	**5.12p**	**20.74p**	**25.86p**	7.00p	47.26p	54.26p

The Company does not have any other comprehensive income. Accordingly the net return 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.

The Notes on pages 56 to 73 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
Total shareholders' funds at 31 December 2019		**10,411**	**58,615**	**5,414**	**1,037,007**	**29,115**	**1,140,562**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**85,318**	**21,068**	**106,386**
Dividends paid to shareholders	9	**–**	**–**	**–**	**–**	**(26,663)**	**(26,663)**
Total shareholders' funds at 31 December 2020		**10,411**	**58,615**	**5,414**	**1,122,325**	**23,520**	**1,220,285**
Total shareholders' funds at 31 December 2018		10,411	58,615	5,414	844,043	36,828	955,311
Net return on ordinary activities after taxation for the year		–	–	–	194,542	28,816	223,358
Repurchase of ordinary shares	14	–	–	–	(1,578)	–	(1,578)
Dividends paid to shareholders	9	–	–	–	–	(36,529)	(36,529)
Total shareholders' funds at 31 December 2019		10,411	58,615	5,414	1,037,007	29,115	1,140,562

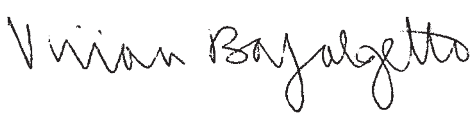
The Notes on pages 56 to 73 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2020
Company number 2638812

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	10	**1,200,663**	1,108,702
Current assets			
Derivative instruments	11	**2,119**	16,576
Debtors	12	**5,814**	5,134
Amounts held at futures clearing houses and brokers		**5,977**	2,029
Cash and cash equivalents		**7,070**	9,490
		20,980	33,229
Current liabilities			
Derivative instruments	11	**(403)**	(457)
Other creditors	13	**(955)**	(912)
		(1,358)	(1,369)
Net current assets		**19,622**	31,860
Net assets		**1,220,285**	1,140,562
Capital and reserves			
Share capital	14	**10,411**	10,411
Share premium account	15	**58,615**	58,615
Capital redemption reserve	15	**5,414**	5,414
Capital reserve	15	**1,122,325**	1,037,007
Revenue reserve	15	**23,520**	29,115
Total shareholders' funds		**1,220,285**	1,140,562
Net asset value per ordinary share	16	**296.57p**	277.19p

The Financial Statements on pages 53 to 73 were approved by the Board of Directors on 16 March 2021 and were signed on its behalf by:



Vivian Bazalgette
Chairman

The Notes on pages 56 to 73 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

Fidelity European Trust 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 2638812, 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. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the continuing risks arising from COVID-19.

The Company's Going Concern Statement in the Directors' Report on page 33 takes account of all events and conditions up to the date of approval of these Financial Statements.

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.

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.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") is 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, collateral, bank deposits and money market funds are accounted for on an accruals basis and credited to the revenue column of the Income Statement.

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

- The investment management fee is allocated 25% to revenue and 75% to capital in line with the Board's expected long term split of revenue and capital return from the Company's portfolio of investments; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

2 Accounting Policies continued

g) Functional currency and foreign exchange – The functional and reporting 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.

h) Finance costs – Finance costs comprise interest paid on bank deposits, collateral and CFDs, which are 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. Finance costs are allocated 25% to revenue and 75% to capital in line with the Board's expected long term split of revenue and capital return from the Company's portfolio of investments.

i) 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.

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

k) 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.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments in the capital column of the Income Statement and has disclosed these costs in Note 10 below.

l) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs and futures. Derivatives are classified as other financial instruments and are initially accounted 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; and
- Futures – the difference between the contract price and the quoted trade price.

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 in gains/(losses) on derivative instruments 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 current liabilities.

m) Debtors – Debtors include 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.

Notes to the Financial Statements continued

2 Accounting Policies continued

n) Amounts held at futures clearing houses and brokers – These are amounts held in segregated accounts on behalf of brokers as collateral against open derivative contracts. These are carried at amortised cost.

o) Other creditors – Other creditors include 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.

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) 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;
- 75% of investment management fees and finance costs; and
- Dividends receivable which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that 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 31.12.20 £'000	Year ended 31.12.19 £'000
Investment income		
Overseas dividends	**20,179**	29,019
Overseas scrip dividends	**936**	795
UK dividends	**748**	2,058
UK scrip dividends	**509**	–
	22,372	31,872
Derivative income		
Income recognised from futures contracts	**1,040**	567
Dividends received on long CFDs	**1,894**	1,658
Interest received on long CFDs[1]	**206**	45
	3,140	2,270
Investment and derivative income	**25,512**	34,142
Other interest		
Interest received on collateral, bank deposits and money market funds	**31**	48
Interest received on tax reclaims	**9**	11
	40	59
Total income	**25,552**	34,201

1 Due to negative interest rates during the reporting year, the Company received interest on its long CFDs.

No special dividends have been recognised in capital during the reporting year (2019: £nil).

4 Investment Management Fees

	Year ended 31 December 2020			Year ended 31 December 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Investment management fees	**2,225**	**6,674**	**8,899**	2,119	6,357	8,476

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

FII charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Fees are payable monthly in arrears and are calculated on a daily basis.

Investment management fees have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

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Notes to the Financial Statements continued

5 Other Expenses

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
AIC fees	**21**	22
Custody fees	**116**	112
Depositary fees	**74**	75
Directors' fees[1]	**167**	151
Legal and professional fees	**93**	55
Marketing expenses	**140**	189
Printing and publication expenses	**109**	126
Registrars' fees	**76**	75
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements[2]	**29**	29
Other expenses	**20**	23
	845	857

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 42.
2 The VAT payable on audit fees is included in other expenses.

6 Finance Costs

	Year ended 31 December 2020			Year ended 31 December 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Interest paid on collateral and bank deposits[1]	**30**	**91**	**121**	30	89	119
Interest paid on CFDs[1]	**26**	**77**	**103**	27	81	108
Dividends paid on short CFDs	**33**	**97**	**130**	197	590	787
	89	**265**	**354**	254	760	1,014

1 Due to negative interest rates during the year, the Company has paid interest on its short CFDs and deposits.

Finance costs have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

7 Taxation on Return on Ordinary Activities

	Year ended 31 December 2020			Year ended 31 December 2019		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	**1,325**	**–**	**1,325**	2,155	–	2,155
Taxation charge for the year (see Note 7b)	**1,325**	**–**	**1,325**	2,155	–	2,155

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 December 2020			Year ended 31 December 2019		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Net return on ordinary activities before taxation	**22,393**	**85,318**	**107,711**	30,971	194,542	225,513
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	**4,255**	**16,210**	**20,465**	5,884	36,963	42,847
Effects of:						
Capital gains not taxable[1]	**–**	**(17,528)**	**(17,528)**	–	(38,315)	(38,315)
Income not taxable	**(4,086)**	**–**	**(4,086)**	(5,418)	–	(5,418)
Expenses not deductible	**–**	**33**	**33**	–	128	128
Expense relief for overseas taxation	**(2)**	**–**	**(2)**	(8)	–	(8)
Excess management expenses	**(167)**	**1,285**	**1,118**	(458)	1,224	766
Overseas taxation	**1,325**	**–**	**1,325**	2,155	–	2,155
Total taxation charge for the year (see Note 7a)	**1,325**	**–**	**1,325**	2,155	–	2,155

1 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 £9,611,000 (2019: £7,599,000), in respect of excess expenses of £45,081,000 (2019: £39,197,000) and excess loan interest of £5,505,000 (2019: £5,505,000), 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

8 Return per Ordinary Share

	Year ended 31.12.20	Year ended 31.12.19
Revenue return per ordinary share	**5.12p**	7.00p
Capital return per ordinary share	**20.74p**	47.26p
Total return per ordinary share	**25.86p**	54.26p

The return per ordinary share is based on the net return 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	**21,068**	28,816
Net capital return on ordinary activities after taxation	**85,318**	194,542
Total return on ordinary activities after taxation	**106,386**	223,358

	number	number
Weighted average number of ordinary shares held outside Treasury	**411,466,049**	411,645,789

9 Dividends Paid to Shareholders

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Dividends paid		
Interim dividend of 2.60 pence per ordinary share paid for the year ended 31 December 2020	**10,698**	–
Final dividend of 3.88 pence per ordinary share paid for the year ended 31 December 2019	**15,965**	–
Interim dividend of 2.59 pence per ordinary share paid for the year ended 31 December 2019	**–**	10,657
Final dividend of 6.28 pence per ordinary share paid for the year ended 31 December 2018	**–**	25,872
	26,663	36,529
Dividend proposed		
Final dividend of 3.90 pence per ordinary share proposed for the year ended 31 December 2020	**16,047**	–
Final dividend of 3.88 pence per ordinary share proposed for the year ended 31 December 2019	**–**	15,965
	16,047	15,965

The Directors have proposed the payment of a final dividend for the year ended 31 December 2020 of 3.90 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 11 May 2021 and has not been included as a liability in these Financial Statements. The dividend will be paid on 18 May 2021 to shareholders on the register at the close of business on 26 March 2021 (ex-dividend date 25 March 2021).

10 Investments

	2020 £'000	2019 £'000
Investments held at fair value	**1,200,663**	1,108,702
Opening book cost	**755,905**	723,726
Opening investment holding gains	**352,797**	215,100
Opening fair value	**1,108,702**	938,826
Movements in the year		
Purchases at cost	**175,216**	127,818
Sales – proceeds	**(172,919)**	(141,886)
Gains on investments	**89,664**	183,944
Closing fair value	**1,200,663**	1,108,702
Closing book cost	**784,273**	755,905
Closing investment holding gains	**416,390**	352,797
Closing fair value	**1,200,663**	1,108,702

The Company received £172,919,000 (2019: £141,886,000) from investments sold in the year. The book cost of these investments when they were purchased was £146,848,000 (2019: £95,639,000). 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 transactions costs
Transaction costs incurred in the acquisition and disposal of investments, which are included in the gains on investments above, were as follows:

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Purchases transaction costs	**242**	154
Sales transaction costs	**56**	62
	298	216

The portfolio turnover for the year was 15.9% (2019: 12.7%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average investment portfolio value of the Company.

Notes to the Financial Statements continued

11 Derivative Instruments

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Gains on derivative instruments		
Gains on long CFD positions closed	**12,258**	333
Gains/(losses) on short CFD positions closed	**4,921**	(2,761)
(Losses)/gains on futures contracts closed	**(8)**	4,192
Movement in investment holding (losses)/gains on long CFDs	**(14,220)**	14,507
Movement in investment holding (losses)/gains on short CFDs	**(801)**	720
Movement in investment holding gains on futures	**618**	525
	2,768	17,516

	2020 fair value £'000	2019 fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	**2,119**	16,576
Derivative instrument liabilities	**(403)**	(457)
	1,716	16,119

	fair value £'000	**2020 gross asset exposure £'000**	fair value £'000	2019 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	**1,535**	**99,355**	15,755	72,774
Short CFDs	**(300)**	**13,922**	501	13,973
Long Futures	**481**	**50,359**	(137)	26,151
	1,716	**163,636**	16,119	112,898

12 Debtors

	2020 £'000	2019 £'000
Accrued income	**524**	375
Taxation recoverable	**5,269**	4,740
Other debtors and prepayments	**21**	19
	5,814	5,134

13 Other Creditors

	2020 £'000	2019 £'000
Creditors and accruals	**955**	912

14 Share Capital

	2020 number of shares	**2020 £'000**	2019 number of shares	2019 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	**411,466,049**	**10,286**	412,172,826	10,304
Ordinary shares repurchased into Treasury	**–**	**–**	(706,777)	(18)
End of the year	**411,466,049**	**10,286**	411,466,049	10,286
Ordinary shares of 2.5 pence held in Treasury*				
Beginning of the year	**4,981,861**	**125**	4,275,084	107
Ordinary shares repurchased into Treasury	**–**	**–**	706,777	18
End of the year	**4,981,861**	**125**	4,981,861	125
Total share capital		**10,411**		10,411

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

The cost of ordinary shares repurchased into Treasury during the year was £nil (2019: £1,578,000).

Notes to the Financial Statements continued

15 Capital and Reserves

	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
At 1 January 2020	**10,411**	**58,615**	**5,414**	**1,037,007**	**29,115**	**1,140,562**
Gains on investments (see Note 10)	**–**	**–**	**–**	**89,664**	**–**	**89,664**
Gains on derivative instruments (see Note 11)	**–**	**–**	**–**	**2,768**	**–**	**2,768**
Foreign exchange losses	**–**	**–**	**–**	**(175)**	**–**	**(175)**
Investment management fees (see Note 4)	**–**	**–**	**–**	**(6,674)**	**–**	**(6,674)**
Finance costs (see Note 6)	**–**	**–**	**–**	**(265)**	**–**	**(265)**
Revenue return on ordinary activities after taxation for the year	**–**	**–**	**–**	**–**	**21,068**	**21,068**
Dividends paid to shareholders (see Note 9)	**–**	**–**	**–**	**–**	**(26,663)**	**(26,663)**
At 31 December 2020	**10,411**	**58,615**	**5,414**	**1,122,325**	**23,520**	**1,220,285**

The capital reserve balance at 31 December 2020 includes investment holding gains on investments of £416,390,000 (2019: gains of £352,797,000) as detailed in Note 10 above. See Note 2 (q) above for further details. The revenue and capital reserves are distributable by way of dividend.

16 Net Asset Value per Ordinary Share

	2020	2019
Total shareholders' funds	**1,220,285,000**	1,140,562,000
Ordinary shares held outside of Treasury at year end	**411,466,049**	411,466,049
Net asset value per ordinary share	**296.57p**	277.19p

17 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, performance, key person, economic and political, economic, social and governance (ESG), discount control, gearing and derivatives, operational risk from cybercrime and pandemic risks. Other risks identified are tax and regulatory and other operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. 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 24 to 26.

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

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.

17 Financial Instruments continued

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 level of gearing is reviewed by the Board and the Portfolio Manager. 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
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**97,820**	57,019
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	**13,622**	14,474
Amounts held at futures clearing houses and brokers	**5,977**	2,029
Cash and cash equivalents	**7,070**	9,490
	26,669	25,993
Net exposure to financial instruments that bear interest	**71,151**	31,026

Due to negative interest rates during the year, the Company has received interest on its long CFDs and paid interest on its short CFDs and Euro amounts held as cash.

Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities 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 from 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 exchange rates affecting the value of investments and derivative instruments;
- Movements in exchange rates affecting short term timing differences; and
- Movements in exchange rates affecting income received.

Notes to the Financial Statements continued

17 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 £'000	debtors[1] £'000	cash and cash equivalents[2] £'000	2020 total £'000
Euro	**709,733**	**149,714**	**1,886**	**365**	**861,698**
Swiss franc	**296,879**	**–**	**3,116**	**–**	**299,995**
Norwegian krone	**57,430**	**–**	**–**	**–**	**57,430**
Danish krone	**48,684**	**–**	**247**	**–**	**48,931**
Swedish krona	**44,403**	**–**	**–**	**59**	**44,462**
US dollar	**–**	**–**	**–**	**14**	**14**
UK sterling	**43,534**	**–**	**6,542**	**6,632**	**56,708**
	1,200,663	**149,714**	**11,791**	**7,070**	**1,369,238**

1 Debtors include amounts held at futures clearing houses and brokers.
2 Cash and cash equivalent are made up of £4,420,000 cash at bank and £2,650,000 held in Fidelity Institutional Liquidity Fund.

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash and cash equivalents[2] £'000	2019 total £'000
Euro	703,676	72,774	1,486	3,629	781,565
Swiss franc	215,249	–	2,752	1,875	219,876
Norwegian krone	61,528	–	–	–	61,528
Danish krone	42,781	–	502	83	43,366
Swedish krona	32,749	–	–	–	32,749
US dollar	–	–	–	14	14
UK sterling	52,719	–	2,423	3,889	59,031
	1,108,702	72,774	7,163	9,490	1,198,129

1 Debtors include amounts held at futures clearing houses and brokers.
2 Cash and cash equivalent are made up of £9,444,000 cash at bank and £46,000 held in Fidelity Institutional Liquidity Fund.

17 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
Euro	**13,922**	**–**	**13,922**
UK sterling	**–**	**955**	**955**
	13,922	**955**	**14,877**

currency	short exposure to derivative instruments £'000	other creditors £'000	2019 total £'000
Euro	13,973	–	13,973
UK sterling	–	912	912
	13,973	912	14,885

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.

Liquidity risk

Due to the closed-ended nature of the Company, the liquidity risk is limited. 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 December 2020, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £403,000 (2019: £457,000) and creditors of £955,000 (2019: £912,000).

Counterparty risk

Certain derivative instruments in which the Company invests 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 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.

Notes to the Financial Statements continued

17 Financial Instruments continued

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 December 2020, £2,170,000 (2019: £16,660,000) was held by the brokers in cash denominated in UK sterling in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised of: J.P. Morgan Securities plc £1,680,000 (2019: £nil), UBS AG £490,000 (2019: £nil), HSBC Bank Plc £nil (2019: £9,730,000) and Goldman Sachs International Ltd £nil (2019: £6,930,000). £5,977,000 (2019: £2,029,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company in cash denominated in UK sterling in a segregated collateral account on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral comprised of: UBS AG £5,537,000 (2019: £2,029,000) and Morgan Stanley & Co International plc £440,000 (2019: £nil).

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 instruments 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; 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 December 2020, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £178,000 (2019: decreased the net return and decreased the net assets by £78,000). 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 the Balance Sheet date, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by the following amounts:

currency	**2020 £'000**	2019 £'000
Euro	**77,071**	69,781
Swiss franc	**27,272**	19,989
Norwegian krone	**5,221**	5,593
Danish krone	**4,448**	3,942
Swedish krona	**4,042**	2,977
US dollar	**1**	1
	118,055	102,283

17 Financial Instruments continued

Based on the financial instruments held and currency exchange rates at the Balance Sheet date, a 10% weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by the following amounts:

currency	2020 £'000	2019 £'000
Euro	**94,197**	85,288
Swiss franc	**33,333**	24,431
Norwegian krone	**6,381**	6,836
Danish krone	**5,437**	4,818
Swedish krona	**4,940**	3,639
US dollar	**2**	2
	144,290	125,014

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at the Balance Sheet date, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £120,066,000 (2019: increased the net return and increased the net assets by £110,870,000). 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 December 2020, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £13,579,000 (2019: increased the net return and increased the net assets by £8,495,000). A decrease of 10% in share prices of the investments underlying the derivative instruments would have had an equal and opposite effect.

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 (k) and (l) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

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
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	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
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Notes to the Financial Statements continued

17 Financial Instruments continued

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 Note 2 (k) and (l). The table below sets out the Company's fair value hierarchy:

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2020 total £'000
Investments	1,200,663	–	–	1,200,663
Derivative instrument assets	481	1,638	–	2,119
	1,201,144	1,638	–	1,202,782
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(403)	–	(403)

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Investments	1,108,702	–	–	1,108,702
Derivative instrument assets	–	16,576	–	16,576
	1,108,702	16,576	–	1,125,278
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(137)	(320)	–	(457)

18 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 55, 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 22. The principal risks and their management are disclosed in the Strategic Report on pages 24 to 26 and in Note 17 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	%[1]	£'000	%[1]
Investments	1,200,663	98.4	1,200,663	98.4
Long CFDs	99,355	8.1	99,355	8.1
Long futures	50,359	4.1	50,359	4.1
Total long exposures	1,350,377	110.6	1,350,377	110.6
Short CFDs	13,922	1.2	(13,922)	(1.2)
Gross/net asset exposure	1,364,299	111.8	1,336,455	109.4
Shareholders' funds	1,220,285		1,220,285	
Gearing[2]		11.8		9.4

1 Exposure to the market expressed as a percentage of shareholders' funds.
2 Gearing is the amount by which gross/net asset exposure exceeds shareholders' funds expressed as a percentage of shareholders' funds.

18 Capital Resources and Gearing continued

	2019			
	gross asset exposure		net asset exposure	
	£'000	%[1]	£'000	%[1]
Investments	1,108,702	97.2	1,108,702	97.2
Long CFDs	72,774	6.4	72,774	6.4
Long futures	26,151	2.3	26,151	2.3
Total long exposures	1,207,627	105.9	1,207,627	105.9
Short CFDs	13,973	1.2	(13,973)	(1.2)
Gross/net asset exposure	1,221,600	107.1	1,193,654	104.7
Shareholders' funds	1,140,562		1,140,562	
Gearing[2]		7.1		4.7

1 Exposure to the market expressed as a percentage of shareholders' funds.
2 Gearing is the amount by which gross/net asset exposure exceeds shareholders' funds expressed as a percentage of shareholders' funds.

19 Transactions with the Managers 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 ("FII"). Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report on page 33 and in Note 4 above. During the year, fees for portfolio management services of £8,899,000 (2019: £8,476,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £806,000 (2019: £752,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £140,000 (2019: £189,000). At the Balance Sheet date, marketing services of £6,000 (2019: £7,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report on pages 42 and 43. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £17,000 (2019: £15,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2020, Directors' fees of £14,000 (2019: £14,000) were accrued and payable.

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. Ordinary 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 December 2020 and 31 December 2019.

2020	**Net asset value per ordinary share**	**Ordinary share price**
31 December 2019	**277.19p**	**260.00p**
31 December 2020	**296.57p**	**286.00p**
Change in year	**+7.0%**	**+10.0%**
Impact of dividend reinvestment	**+2.7%**	**+3.1%**
Total return for the year	**+9.7%**	**+13.1%**

2019	Net asset value per ordinary share	Ordinary share price
31 December 2018	231.77p	207.00p
31 December 2019	277.19p	260.00p
Change in year	+19.6%	+25.6%
Impact of dividend reinvestment	+4.2%	+5.0%
Total return for the year	+23.8%	+30.6%

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)	**8,899**	8,476
Other expenses (£'000)	**845**	857
Ongoing charges (£'000)	**9,744**	9,333
Average net assets (£'000)	**1,132,867**	1,076,838
Ongoing charges ratio	**0.86%**	0.87%

Gearing
Gearing is considered to be an Alternative Performance Measure. See Note 18 on pages 72 and 73 for details of the Company's gearing.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2020 – Financial Year End
March 2021 – Announcement of the annual results for the year to 31 December 2020
March 2021 – Publication of this Report
25 March 2021 – Ex-dividend date
26 March 2021 – Dividend Record date
11 May 2021 – Annual General Meeting
18 May 2021 – Payment of the Final Dividend
30 June 2021 – Half-Year End
July/August 2021 – Announcement of the Half-Yearly results for the six months to 30 June 2021
August 2021 – Publication of the Half-Yearly Report
November 2021 – Payment of Interim Dividend

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Trust PLC will be held at FIL Investments International, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP on Tuesday, 11 May 2021 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2020.

2. To declare that a final dividend for the year ended 31 December 2020 of 3.90 pence per ordinary share be paid to shareholders on the register as at close of business on 26 March 2021.

3. To re-elect Mr Vivian Bazalgette as a Director.

4. To re-elect Ms Fleur Meijs as a Director.

5. To re-elect Sir Ivan Rogers as a Director.

6. To re-elect Ms Marion Sears as a Director.

7. To re-elect Mr Paul Yates as a Director.

8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 41) for the year ended 31 December 2020.

9. 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.

10. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, to pass the following special business resolutions of which Resolutions 11 and 14 will be proposed as ordinary resolutions and Resolutions 12, 13 and 15 as special resolutions.

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of 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 5% of the number of ordinary shares of the Company (including Treasury shares) in issue on 16 March 2021. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority 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.

11. 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 £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 16 March 2021) 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.

12. THAT, subject to the passing of Resolution 11, 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 11 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 £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 16 March 2021); 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 13 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 16 March 2021, either for immediate cancellation or for retention as Treasury shares, at the determination of the 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 made at the discretion of the Directors and within guidelines set by them from time to time 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.

13. 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 2.5 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 61,678,760;

    b) the minimum price which may be paid for an ordinary share is 2.5 pence;

    c) the maximum price (excluding expenses) which may be paid for each share is the higher of:

        (i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

        (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;

    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.

Continuation of the Company
Resolution 14 is an ordinary resolution that relates to the continuation of the Company.

14. THAT the Company continues to carry on business as an investment trust.

Adoption of New Articles of Association
Resolution 15 is a special resolution that relates to the adoption of new Articles of Association by the Company to make changes in relation to general meetings, retirement of Directors, regulatory restrictions and information requirements, dividend payment provisions and other administrative updates, as described further in the Directors' Report on pages 35 and 36.

15. THAT with effect from the passing of this resolution, the draft Articles of Association produced to the meeting and, for the purpose of identification, initialled by the Chairman, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board
FIL Investments International
Secretary
16 March 2021

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 Group.

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 12 noon on Friday, 7 May 2021. 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 notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, PXS 1, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL 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 12 noon on Friday, 7 May 2021. 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

Notice of Meeting continued

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) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 12 noon on Friday, 7 May 2021.

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**. Your proxy must be lodged by no later than 12 noon on Friday, 7 May 2021 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 Friday, 7 May 2021. At the time of publication of this Notice of Meeting and the ongoing COVID-19 pandemic, Government guidance prohibits large gatherings of people and this is still likely to be in place at the date of the AGM. Shareholders are therefore urged to vote using the proxy form provided or electronically where permitted by your nominee or platform.

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 Friday, 7 May 2021. 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 16 March 2021 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 416,447,910 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 4,981,861. Therefore, the total number of shares with voting rights in the Company was 411,466,049.

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/europe**.

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

Shareholder Information

Investing in Fidelity European Trust PLC

Fidelity European Trust 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/europe**.

CONTACT INFORMATION

Shareholders and Fidelity 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**.

Shareholders on the main share register

Contact Link Group, Registrar to Fidelity European Trust PLC, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: **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**. 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 mandates 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 Group offer a low cost share dealing service to buy or sell shares. Further information is available at **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 Service allows you to deal in the shares of other companies for which Link Group 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 Group offer a Dividend Reinvestment Plan which is a convenient way for shareholders to build up their shareholding by using the dividend money to purchase additional shares in the Company. The plan is provided by Link Group, 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 09:00 – 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@linkgroup.co.uk** or log on to: **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**.

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 836347**

Email: **investmenttrusts@fil.com**.

Website: **www.fidelityinvestmenttrusts.com**.

If you hold Fidelity European Trust 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** or by telephoning **020 7930 3737**.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)
FIL Investment Services (UK) Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Investment Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: **investmenttrusts@fil.com**

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

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

Financial Adviser and Stockbroker
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London
EC4R 2GA

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer
Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company Information

The Company was launched on 5 November 1991 with one warrant attached to every five shares. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of the ordinary shares on a ten for one basis on 2 June 2014, the Company's share capital now comprises ordinary shares of 2.5 pence each and the restated original subscription price is 10 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**).

Price Information

The share price of Fidelity European Trust 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/europe**.

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** (freephone) 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 for other telephone networks may vary). The Reuters code for Fidelity European Trust PLC is FEV.L, the SEDOL is BK1PKQ9 and the ISIN is GB00BK1PKQ95.

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.

Data Protection

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.

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 Ordinary Share Price Total Return).

Benchmark Index
FTSE World Europe (ex UK) Index against which the performance of the Company is measured.

Capital Gains Tax (CGT)
The tax that may be payable if shares are sold 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. If the Company trades short, dividends are paid.

Corporation Tax
The tax the Company may have to pay on its profits for a year. As an investment trust, the Company is exempt from corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income and consequently it is tax efficient and does not currently pay corporation tax.

Custodian
An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's Custodian is JPMorgan Chase Bank.

Depositary
An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. The Company's Depositary is J.P. Morgan Europe Limited.

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 per ordinary share.

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 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 of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

Futures
An agreement 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 key 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.

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.

Investment Manager
FIL Investments International acts as the Company's Investment Manager under delegation from FIL Investment Services (UK) Limited (the AIFM).

Manager
FIL Investments Services (UK) Limited was appointed as the Manager in accordance with the Alternative Investment Fund Managers Directive ("AIFMD") and has delegated the investment management of the Company to the Investment Manager.

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 a specific 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.

Portfolio Manager
Sam Morse is the appointed Portfolio Manager of the Company and is responsible for managing the Company's assets.

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, to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5% of the issued share capital of the Company.

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 per ordinary share.

Registrar
An entity that manages the Company's shareholder register. The Company's Registrar is Link Group.

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 it 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 it 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 share 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
The return 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** reflects the return on capital, excluding any revenue return; and
- **Total return** reflects the aggregate of revenue and capital returns.

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 in additional shares (for share price total return) or 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.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Manager's 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 33.

The table below and on the next page discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	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. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 22 and 23.
Risk management	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. The Company has a Risk Management Process Document which demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independent 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. 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.	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 control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 24 to 26 and in Note 17 to the Financial Statements on pages 66 to 72.
Valuation of illiquid assets	The Directive 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.

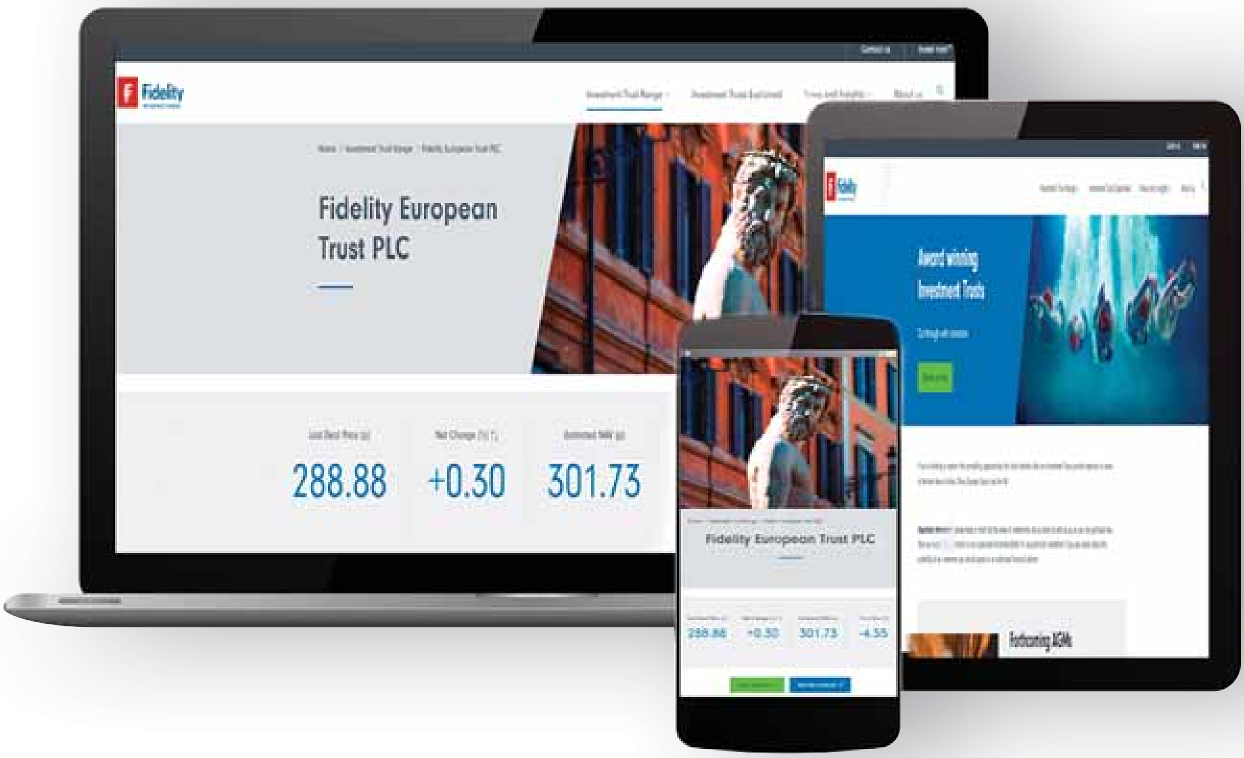
Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	The Company uses leverage to increase its exposure primarily to the stock markets of continental Europe and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. 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.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. At 31 December 2020, actual leverage was 1.12 for the Gross Method and 1.11 for the Commitment Method.
Liquidity management	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 17 on page 69.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. 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 **www.fidelityinternational.com/global/remuneration/default.page**

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 December 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
J.P. Morgan Securities plc (UK)	1,433	0.12%	1,680	–
Morgan Stanley & Co International plc (UK)	(403)	(0.03%)	–	440
UBS AG (UK)	205	0.02%	490	–

Collateral held by the broker was denominated in UK sterling and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2020 from CFDs was a gain of £4,025,000.



To find out more about Fidelity European Trust Plc, visit our new website www.fidelityinvestmenttrusts.com where you can read articles and watch videos on the Company.

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