

# FIDELITY ASIAN VALUES PLC

Annual Report for the year ended 31 July 2021

## HIGHLIGHTS

- **The Board recommends a dividend payment of 8.80 pence per share, an increase of 3.5% over the prior year**
- **The Company's NAV and share price increased by +39.5%, and +47.6%, respectively**
- **The Company bought its first unlisted holding**
- **The Company continues to invest in small cap, value driven stocks**

## CHAIRMAN'S STATEMENT

**Kate Bolsover – I have pleasure in presenting the Annual Report of Fidelity Asian Values PLC (the “Company”) for the year ended 31 July 2021.**

This year, Fidelity Asian Values PLC marked its 25th anniversary, having been admitted to the official list for trading on 13 June 1996. In this year's Annual Report, in addition to our usual commentary, we have taken the opportunity to review the progress of the Company and Asian markets over that period which has seen periods of economic downturn and market stress followed by remarkable recoveries.

For most of the year under review, COVID-19 continued to dominate headlines and has had a stark impact on our daily lives. Those of us with friends and family overseas may have been separated from them for nearly two years. Indeed, the Company's Portfolio Manager, Nitin Bajaj, has been unable to travel to the UK and the Board has been unable to travel to Asia. At the time of writing, offices are still operating at a fraction of their full capacity and “Zoom”, the video conferencing software that a significant number of us have adopted to communicate remotely, was highlighted by the Oxford English Dictionary as its “Word of an Unprecedented Year”.

It is therefore with a sense of relief, even hope, that we can reflect on improving prospects for a global recovery from the virus and its consequential social, economic and market impacts. Vaccination rates are rising in Asia and at home, hospitalisation rates are falling, and it seems that some limited international travel is resuming with appropriate precautions in place.

Pleasingly, from the low point of COVID-19 (in March 2020), your Company has seen a marked improvement in its performance, beating the Comparative Index and mean peer group returns in both NAV and share price terms. Smaller companies in Asia have rallied relative to companies with larger market caps, and the Company ranked 2nd out of 14 in share price performance terms across all three Asia-focused investment company peer groups for the year ended 31 July 2021.

Of course, with the rise of new COVID-19 variants, we must not grow complacent. The Manager continues to keep its business continuity plans and operational resilience strategies under constant review. Nitin and the investment team are monitoring companies within the portfolio and the wider market for idiosyncratic risks and opportunities arising from the evolving situation – while retaining their fundamental, research-driven bottom-up investment approach.

As the world recovers from COVID-19, our belief in the investment opportunities in Asia remains undimmed. In seeking to provide shareholders with a differentiated equity exposure to Asian markets, Nitin focuses on buying businesses that have strong management but are mispriced. This often leads him to invest in small and medium-sized companies, the ‘winners of tomorrow’, before they become well-known.

As Nitin explains in his Portfolio Manager's Review, despite a rally in small-cap growth companies, the value-investing style he deploys, which has historically rewarded investors, remains out of favour and he still sees excellent longer-term opportunities where others are not yet looking.

### INVESTMENT AND MARKET REVIEW

In the 12 months to 31 July 2021, NAV performance was strong, with a total return of +39.5% which was marginally ahead of the total return of +39.2% for the Comparative Index. Share price performance was stronger still, with a total return of +47.6%. With sentiment toward Asian equities and Company performance improving, the discount narrowed to 2.9% to the NAV. In last year's report, I wrote that value, as an investment style, had been experiencing the longest and deepest underperformance relative to growth since the 1960s but that the Board believed that value investing would return to favour. It remains early days, but there are signs that the tide is turning in the Company's favour.

### OUTLOOK

Throughout 2021, global investors have started to rotate out of growth stocks and into more value names, but this trend is not yet significant within the Asian smaller companies sector. As a result, the market is offering an unprecedented opportunity to invest in high quality companies at attractive valuations. Nitin continues to believe that owning good businesses, run by competent management teams, acquired at attractive prices is the most time-tested way to make money in the stock market. The Board has confidence in Nitin and his approach and is reassured by the high quality of his portfolio.

## OTHER MATTERS GEARING

During his tenure, Nitin has not felt the need to use gearing extensively and has increased gearing slightly from the level reported last year. He continues to believe that the main driver of the Company's performance will be stock picking and he has been able to add new holdings and increase existing positions at more attractive valuations.

### DISCOUNT MANAGEMENT AND SHARE REPURCHASES

The Board operates an active discount management policy, the primary purpose of which is to reduce discount volatility. Repurchases of ordinary shares are made at the discretion of the Board, within guidelines set by it and in light of prevailing market conditions. Shares will only be repurchased when it results in an enhancement to the NAV of the ordinary shares. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. Any shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share.

There were periods of turmoil in the world's financial markets in the reporting year and at times the Company's discount was volatile in reaction to such market conditions. The Board, therefore, approved the repurchase of 753,228 ordinary shares for holding in Treasury in the year ended 31 July 2021. Since then and as at the date of this report, no further shares have been repurchased.

## DIVIDEND

Subject to shareholders’ approval at the Annual General Meeting (“AGM”) on 3 December 2021, the Directors recommend a dividend of 8.80 pence per ordinary share which represents an increase of 3.5% over the 8.50 pence paid in 2020. This dividend will be payable on 8 December 2021 to shareholders on the register at close of business on 29 October 2021 (ex-dividend date 28 October 2021). Shareholders should note that as the Company’s objective is long-term capital growth, the level of dividend is a function of a particular year’s income and it should not be assumed that dividends will continue to be paid in the future.

## BOARD SUCCESSION

As reported in last year’s Annual Report, the Board has a succession plan in place. Grahame Stott will have completed his nine-year tenure in 2022 and will step down from the Board at the AGM in 2022. He will be replaced as Audit Committee Chair by Clare Brady. I will have served four years as a Director and a further nine years as Chairman in 2023 and will step down from the Board at the AGM in 2023. The Board considers that I continue to be independent.

## BOARD OF DIRECTORS

Following the announcement of the merger in March 2021 between Invesco Enhanced Income Limited (Chaired by me) and City Merchants High Yield Trust Limited (Chaired by Tim Scholefield), Tim Scholefield stood down as the Senior Independent Director of the Company and as Chairman of the Management Engagement Committee on 22 April 2021. He will not be standing for re-election at the AGM on 3 December 2021. I would like to thank him on behalf of the Board and all of the Company’s stakeholders for his invaluable contribution to the Company. We shall miss his wisdom as a Board member and he takes with him our good wishes for the future. Tim was succeeded by Clare Brady as Senior Independent Director from 22 April 2021 and by Michael Warren as Chairman of the Management Engagement Committee.

As Tim’s replacement, the Board are pleased to announce that Sally Macdonald will be appointed to the Board on 1 January 2022. Sally has over 34 years’ experience in asset management, of which seven were in UK markets and 27 covered Asian markets, at houses including Sanwa International, Lazard Brothers Asset Management, Canada Life, Morley Fund Managers, Dalton Strategic Partnership and City of London Investment Management. She is currently Head of Asian Equities at Marlborough Fund Managers until 30 November 2021, a Director of JP Morgan Japanese Investment Trust and a Trustee of Helping the Burmese Delta.

All Directors, with the exception of Tim, are subject to annual re-election at the forthcoming AGM. As Sally’s appointment to the Board is not effective until 1 January 2022, she will not stand for election until the AGM in 2022. The Directors’ biographies are below, and between them, they have a wide range of appropriate skills and experience to form a balanced Board of the Company.

## 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 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 and voting by shareholders as well as by shareholders via electronic means. By changing the Company’s Articles, the Board will have the ability to determine whether a future 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 preferred format provided Government guidance permits it, but we are keen to provide virtual voting facilities for future AGMs should it be necessary.

We have also taken the opportunity to update certain other provisions within the Articles, including for example, in relation to retirement of Directors, Directors’ fees and regulatory restrictions and information. A full tracked version of all the changes proposed to the Articles is available at **[www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues)**. The principal changes proposed to the Articles are set out in more detail below..

## ANNUAL GENERAL MEETING – FRIDAY, 3 DECEMBER 2021 AT 11.00 AM

The AGM of the Company will be held at 11.00 am at **4 Cannon Street, London EC4M 5AB** (nearest tube stations are St Paul’s or Mansion House). Appropriate social distancing and hygiene measures will be in place and under the circumstances it is unlikely that we will be able to offer the usual catering service. As the pandemic continues, we anticipate limited numbers in attendance and guests of shareholders will not be permitted. For those shareholders who would prefer not to travel or attend in person, for the first time this year we will live-stream the formal business and presentations of the meeting online. A registration link may be found on the Company’s website **[www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues)**

Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will addressed on their behalf at an appropriate juncture during the meeting.

It will not be possible for those viewing online to participate in voting on the proposed resolutions this year, pending approval of the changes to the Articles of Association as set out above.

Nitin will be making a presentation on the year’s results and the prospects for the Company for the year to come. However, if there are international travel restrictions in place around the time of the AGM, then he may not be able to fly from Asia to London to attend the AGM in person. If this happens, and we need to change the format of the AGM, investors will be advised via the Company’s website at **[www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues)** about alternative arrangements for the Portfolio Manager’s presentation. The formal business of the meeting will still be carried out in person. Copies of the Portfolio Manager’s presentation can be requested by email at **[investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

We urge all shareholders to vote and make use of the proxy form provided. If you hold shares through the Fidelity Platform, other platforms 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.

## KATE BOLSOVER

Chairman

12 October 2021

## PORTFOLIO MANAGER’S REVIEW

Nitin Bajaj was appointed as the Portfolio Manager of Fidelity Asian Values PLC on 1 April 2015. He is based in Singapore and has over 20 years’ investment experience. He is also the Portfolio Manager for the Fidelity Asian Smaller Companies Fund. He first joined Fidelity in 2003 as an Investment Analyst and then took over the Fidelity India Special Situations Fund and subsequently started the Fidelity India Value Fund. He managed these funds until November 2012, when Fidelity decided to sell its India business.

## QUESTION

**How has the Company performed in the year under review?**

## ANSWER

The year to 31 July 2021, saw a marked improvement in absolute performance. The NAV of the company increased by 39.5% compared to the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) returning 39.2% during the same period. The share price total return was 47.6%.

Our investment philosophy is encapsulated in three basic principles – owning good businesses, run by competent management teams and acquired at attractive prices. These principles anchor all investments that we make ensuring the Company stays away from speculative investments, expensive stocks and blue-sky business models.

Given this philosophy, I am very happy with our relative returns for the year, as the stock market has seen high retail participation and, in some cases, quite extreme speculative activity, which has meant that the types of companies that we do not invest in have performed very well at the expense of the types of companies we choose to invest in. Historically, we have trailed the market in such conditions.

We were quite fortunate that we had more than our normal share of takeovers/privatisations during the year including Kerry Logistics, Bestway, Hinduja Global Solutions, Convenience Retail Asia, Changshouhua, Saracen and Think Childcare.

I also feel we did well in avoiding hot sectors and stocks like Chinese education and internet companies which have come under increased regulatory pressure at a time when the valuations built in very little margin of safety.

I think it is testament to Fidelity’s research team – especially the small cap team in Asia – that we are able to find attractive opportunities while avoiding speculative stocks with a low margin of safety.

## QUESTION

**Throughout the year, small cap stocks have outperformed large cap stocks significantly, reversing the trend of recent years. What has driven this and do you expect the pattern to continue?**

## ANSWER

I think we are simply seeing the mean-reversion of what happened between 2016 and 2020 when large cap stocks significantly outperformed small cap stocks (especially small cap value stocks). Over the last few years, the valuation differential between large growth stocks and small value stocks had reached an extreme, last seen in the tech bubble of 1999/2000, and we are starting to see this normalise. However, if you look at valuations even now, they remain very bifurcated with many small cap value stocks at significant discounts to large cap companies; so I believe that we may have quite a way to go on this journey.

## QUESTION

**How have value stocks performed relative to growth? Is there still an opportunity here?**

## ANSWER

In the small cap space, both growth and value stocks have performed well, in contrast to other markets. I think this is mainly due to the speculative nature, thematic focus and momentum of domestic retail investors in Asia who have driven a strong recovery in markets since March 2020.

Despite improved share price performance of both, the valuation dispersion between growth and value stocks remains high. Historically, small cap value stocks, in aggregate, have a good track record of growing earnings faster than small cap growth stocks. This makes me very comfortable with our positioning in high quality companies which are trading on attractive valuations, and where earnings should improve moving forwards..

## QUESTION

**The end of the period was dominated by news of a crackdown by Chinese regulators on technology and education stocks – did you have any exposure to these areas?**

## ANSWER

As I mentioned earlier, we did well to avoid these areas. Since the crackdown, I have built positions in some higher education stocks in China (private universities) where the Chinese government has specifically encouraged private sector participation. I am also exploring some of the internet companies.

## QUESTION

**Your Top 10 holdings have changed a lot since last year – does that reflect a changing market environment? What is your portfolio turnover?**

## ANSWER

We have had some big moves in share prices in the last year – so it was natural for me to take profits and money off the table where I felt the valuation anomaly had corrected and the margin of safety became less or even disappeared in some cases. Portfolio turnover during the reporting year stood at 66.1% which is a little higher than in the past.

## QUESTION

**How do you approach shorting companies? Where do you see opportunities in this space?**

## ANSWER

Shorting is a difficult process as risk reward metrics are skewed against you and there may be speculators trying to push up stock prices. Therefore, I try to keep the short book more diversified with smaller sized bets. Generally, I am looking for businesses with excessive leverage, fragile business models and stretched valuations to take a short position.

## QUESTION

**You have made your first investment into an unlisted company, Tuhu. What attracted you to this and will we see more unlisted investments in the future?**

## ANSWER

Tuhu is an online-to-offline ‘O2O’ retailer for auto parts in China. This means they attract customers online to buy or pick up their spare parts in physical stores. This is an industry that I have been involved with in the US and Australia in the past. It’s a difficult business but companies which find the winning formula have high returns on capital and a long runway to grow.

Tuhu is the market leader in China where organised auto parts retailing is still in its infancy. The management team is sound and this business should be able to grow significantly in the next 10 years. It is not a traditional value investment as it is still at an early stage in the company's development. We have taken a small starting position in this business.

It is possible that I will make further investments in the unlisted space in the future.

**QUESTION**

**There is a greater focus than ever on ESG matters. How do you engage with companies in ASIA on ESG?**

**ANSWER**

Our process focuses on owning good businesses run by honest and competent teams. This has mostly kept us away from controversial stocks.

However, formalised ESG policies are becoming more commonplace around the world, and at Fidelity we have developed a systematic and proprietary ESG ratings system. Fidelity has also introduced a company-wide voting policy in specific areas such as carbon emissions and diversity and inclusion. These rules can be a challenge for smaller companies who are focused on running their businesses. The analysts and I engage with these companies to guide them on the new reality and the expectations of investors.

It is very important to think of ESG in context when investing in Asia (especially emerging Asia) and, in particular, smaller companies. The levels of disclosure on ESG remain behind larger companies in the West, and most of the companies in which I invest lack any ESG ratings coverage by the likes of MSCI and Sustainalytics – just as they often lack investment ratings or research from brokers. Fidelity therefore needs to do a lot of its own work and due diligence. It is not unusual for us to start taking positions in companies that have no ratings at all, and as we build conviction in names and their position sizes grow (with wider demand for their shares), they are more likely to receive formal analyst coverage. For this reason, if we are true to our process, it is not unusual for a large proportion of our holdings to be 'unrated' on ESG – but this does not mean it is not being considered within our investment thesis.

**QUESTION**

**What do you view as the biggest risks and opportunities for the next twelve months?**

**ANSWER**

The biggest risk continues to be the global economic impact of COVID-19 and the level at which the economy will stabilise once government stimulus programmes are withdrawn. We have seen very extreme monetary and fiscal policies over the last few years, and we are in the realm of the unknown. It will be important to stay vigilant and react quickly if the facts change.

Whatever the short-term economic outlook, our long-term success will be driven by hard work, a disciplined investment process and our ability to stand away from the crowd. We continue to stay true to our three pillars of owning good businesses, run by competent management teams and acquired at attractive prices.

Current investor focus on themes and growth stocks is a great opportunity – it creates a bifurcated market in terms of valuations, allowing us to build positions in businesses which have long duration cash flows with good management teams and buy them at attractive prices.

I am excited by our holdings today. We own a portfolio of businesses which are dominant in their industries, earn good returns on capital and are available at attractive valuations.

- Return on Equity at 13.8% versus 11.3% for the Comparative Index.
- Balance Sheet better than the Comparative Index. Net debt to equity, excluding financials, at 0.16x versus 0.24x for the Comparative Index.
- Price to earnings at 9.4x versus 14.2x for the Comparative Index.
- Dividend yield at 3.0% versus 2.0% for the Comparative Index.

**NITIN BAJAJ**  
**Portfolio Manager**

12 October 2021

**FIDELITY ASIAN VALUES PLC – TAKING STOCK 25 YEARS ON**

**FOREWORD**

I have read the history of Fidelity Asian Values PLC with great interest. I lived in Shanghai in 1984 and therefore have followed the dramatic changes that have taken place in China since that time. Coincidentally, I first became involved in investing in Asia when I joined Baring International in 1985. At that time, John Morrell, this Company's first Chairman, was the Chairman of Baring International. We worked together for over eight years. Sadly, he died earlier this year, but I know he was extremely proud of the Company's performance over the past 25 years. I would like to take this opportunity to thank all of those involved in the Company's investment management and administration over that time.

***Kate Bolsover, Chairman, December 2014 – Present***

**25 YEARS OF FIDELITY ASIAN VALUES PLC**

It is 25 years since the launch of Fidelity Asian Values PLC as an investment trust – a period which has seen Asia move from the fringes of global economic development to be the centre of it. This journey is very much mirrored by various stages in the growth of the Company.

An investment of £1,000 invested in the Company at launch would have returned £5,542 compared with £4,213 if the same sum had been invested in the MSCI AC Asia ex Japan Index and £4,445 if invested in the FTSE 100 Index.

Growth in an initial investment of £1,000 at launch	Value at
Fidelity Asian Values PLC	31 July 2021
MSCI AC Asia ex Japan Index	5,542
	4,213

Sources: Fidelity and Datastream, 31 July 2021. Total return, net dividends reinvested.

THE LAUNCH AND THE FIRST FEW YEARS

The Company was launched in 1996 under the stewardship of John Morrell as Chairman of the Board and K.C. Lee as Portfolio Manager. It was originally expected to invest primarily in Singapore, Korea, Thailand, Hong Kong and Malaysia as shown by the image from the original prospectus below.

It is expected that the Company’s initial portfolio will be concentrated in Hong Kong, South Korea, Thailand, Singapore and Malaysia.

To think of an Asian portfolio without China, India, Indonesia, Philippines and Vietnam – the five largest population blocks in Asia – may seem strange today, but this change in mindset encapsulates, by itself, the journey of Asia over the last 25 years. Indeed, it has been a journey where capitalist policies (with different twists and turns in individual countries) have unleashed immense productive capacity leading to economic growth and social welfare in these countries.

What has happened in China in the last 25 years is nothing short of a miracle. Furthermore, based on what we currently see on the ground, this journey in Asia still has further to go as newer population blocks seek to imitate Chinese economic success.

However, like with many journeys, it hasn’t all been smooth sailing. Straight after the Company’s launch, the Asian economy hit a substantial speed bump with the Asian Financial Crisis, which derailed the fundamentals of many companies. Between August 1997 and August 1998, the Company’s share price declined by 70%, hitting a low of 33 pence against a launch price of 100 pence per share in just over two years.

Over the next five years, the world stumbled from one accident to the next – first, a stock market boom and then a crash led by shares in “new economy companies” followed by the September 11 (“9/11”) terrorist attacks in United States in 2001 and finally the SARS epidemic in Asia in 2002/2003.

The share price of the Company was 40 pence per share as at 31 March 2003. It is fair to say that it was a difficult start for the Company.

During these turbulent times, the Company undertook two portfolio manager changes, culminating in John Lo being appointed as the Portfolio Manager in September 2001. John expanded the investment remit across Asia to include India, China, Taiwan, Australia and New Zealand. He also took a more active interest in mid-cap opportunities, thus expanding the investable universe of the Company.

THE BOOM, THE BUST AND THE GREAT RECOVERY

The recession in the wake of the triple-hit of the technology bubble bursting, 9/11 and the SARS virus outbreak was followed by an equally unprecedented economic and stock market upcycle. This was the period which started to see China take centre-stage. It was also a time marked by a surge in commodity prices, strengthening Asian stock markets and rising global house prices.

From an asset allocation perspective, it was a period where Asian stock markets became mainstream and a core holding in portfolios. The share price of the Company and shares in Asian markets did well during this timeframe, more than quadrupling. By October 2007, the Company was trading at 170 pence per share.

The period between 2003 to 2007 was also a period of heavy investment by Fidelity International in Asia, with its research resources expanded considerably to keep up with the growing number of companies being listed in the region. Research presence was built in Seoul, Mumbai, Singapore and Shanghai, in addition to existing bases in Hong Kong, Sydney and Tokyo.

However, by this time the housing bubble in the US was starting to deflate, leading to significant bank failures in America – the catalyst of the Global Financial Crisis. Asia was not immune to this crisis and experienced a significant decline in corporate profitability. The market gave up most of the gains achieved since the market low of 2003 and the Company was trading at 73 pence per share after the collapse of Lehman Brothers.

John Lo’s talent for spotting recovery stocks and Fidelity’s depth of research, laid the foundation for a resurgence post the financial crises with strong absolute and relative returns until March 2015 when John stepped down as the Company’s Portfolio Manager. The NAV and share price of the Company had increased to 295 pence and 263 pence per share respectively by March 2015.

THE SHIFT TO “SMALL CAP VALUE” APPROACH

Although the Company’s performance was satisfactory, the Board, under the stewardship of Kate Bolsover, decided to move to a small cap strategy with a view to better access the large pool of smaller businesses listed across Asia, while also better utilising the Company’s closed-ended structure. Nitin Bajaj, Portfolio Manager of Fidelity’s Asian Smaller Companies Fund, took over the management of the Company’s portfolio from April 2015.

More importantly, given Nitin’s bias towards small cap value investing, the Company’s focus moved markedly to small cap value stocks. Notably, over the 20 years of the Company’s existence, small cap value had outperformed all other styles in Asia. The Board felt that this would be an interesting and potentially rewarding route to take given Fidelity’s research depth and Nitin’s investment style.

After an initial three-month transition period, the Company was moved to a portfolio with a high proportion of high-quality small cap stocks which were overlooked by the broader market. This has resulted in a period of strong relative and absolute returns over the last six years, despite the fact that this has been a period where value as an investment style has struggled to keep up with more growth-oriented stocks and sectors.

GROWTH VERSUS VALUE DEBATE

So, where do we stand today and what can we expect in the future?

The pivot towards growth stocks between 2016 to 2020 has led to one of the highest dispersions in valuation between growth and value stocks in almost 100 years, only matched by the discount seen in 1999/2000.

This is not abnormal or inconsistent with history – this is the normal cycle of markets. As the last 25 years have shown, markets are prone to excesses and depressions – both of which tend to mean revert and correct. Whether it was predictions in 1999 that “the old economy was dead” or predictions in 2007 of “peak oil”, market hyperbole is seldom correct.

There is no reason to believe that this time it will be different. We continue to believe that the most time-tested way to preserve and grow capital is to own good businesses run by honest people and buy them at a margin of safety. The Company is fully focused on owning good quality businesses at attractive prices.

The aggregate data and individual holdings of the Company continue to reflect this philosophy. We own a set of businesses which make superior return on equity to the market but are available at much cheaper valuations.

LESSONS FROM LAST 25 YEARS

Studying the history of the Company over last 25 years has been instructive with a few clear lessons:

- **Economy:** Asia has witnessed a miracle over the past 25 years, with China leading the way. The key was increasing access to capital markets to raise productivity levels in China. There are still four big population centres of India, Indonesia, the Philippines and Vietnam with an opportunity to raise productivity levels significantly over the next 20 years.
- **Markets:** Markets go up and down – often by a lot. Since launch, the share price of the Company has had a drawdown of more than 10% on 15 occasions, from which on four occasions it fell more than 25%. The world and investor behavior is not forecastable and is often emotional.
- **Emotions:** Although every significant decline has been an opportunity to buy, doing so when being fearful is very difficult. Similarly, selling over-hyped stocks when they are doing well can be equally as difficult. It is important to detach yourself emotionally. Be fearful when others are greedy, be greedy when others are fearful.

For us, the most important lesson of this period has been that to preserve capital, one has to avoid speculative excesses. As equity investors, we will not be able to avoid volatility of stock markets but by avoiding “hot areas” and inferior businesses we can avoid permanent loss of capital.

Owning good businesses run by honest people and owning them at attractive prices gives us the best chance to accomplish this. The Board, the Portfolio Manager and Fidelity’s research team are focused on making sure that we stay true to this philosophy.

NITIN BAJAJ, PORTFOLIO MANAGER

STRATEGIC REPORT

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 and 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 and assigns a rating to each risk. This is reviewed by the Audit Committee at least once annually. The Board has also established associated policies and processes designed to manage and where possible, mitigate identified risks which are monitored 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 Board considers the risks listed below to be the principal risks and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
Market, Economic and Political Risks	The Company's portfolio is made up mainly of listed securities. The principal risks are market related such as market downturns, interest rate movements, deflation/inflation and exchange rate movements. Political change such as continuing tensions between the US and China, Hong Kong protests and the Executive Order issued by the US in November 2020 prohibiting transactions by US persons in publicly traded securities of certain Chinese companies remains a risk. The Portfolio Manager's success or failure to protect and increase the Company's value against this background is core to the Company's continued success.
	COVID-19 continues to be a global pandemic with severe market and economic impacts. The risk of the ongoing likely effects of COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review in the Annual Report. These risks are somewhat mitigated by the Company's investment trust structure which means no forced sales need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.
	The Board reviews market, economic and political risks and legislative changes at each Board meeting.
	Most of the Company's assets and income are denominated in currencies other than Sterling which is the Company's functional and presentation currency. As a result, movements in exchange rates may affect the Sterling value of these items.
Discount Control Risk	The Company's unlisted investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks compared with other investments in the portfolio. No transaction is made in an unlisted investment until the Investment Manager is satisfied that it has been through sufficient scrutiny and approval process. The Board reviews all unlisted investments and their valuations at each Audit Committee or Board meeting.
	Risks to which the Company is exposed to in the market and currency risk category are included in Note 17 to the Financial Statements below together with summaries of the policies for managing these risks.
	Due to the nature of investment companies, the price of the Company's shares and its premium or discount to NAV are factors which are not within the Company's total control. The Board has a discount management policy in place and 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 on a regular basis.
Cybercrime Risk	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 cyber attacks. 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 teams and has resulted in the implementation of new tools and processes, including improvements to existing ones. Fidelity has 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.
Investment Performance Risk	The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as investment strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Comparative Index and/ or peer group companies. Continued underperformance could lead to the Company and its objectives becoming unattractive to investors.
	In order to manage this risk, the Board reviews Fidelity's compliance with agreed investment restrictions; investment performance and risk; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. The Board also regularly canvasses major shareholders for their views with respect to company matters.
	Derivative instruments are used to enable both the 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 Board has put in place policies and limits to control the Company's use of derivatives and exposures. Further details on derivative instruments risk is included in Note 17 to the Financial Statements on below..
Key Person Risk	The Company gears through the use of long CFDs which provide greater flexibility and are currently cheaper than bank loans. The principal risk is that the Portfolio Manager fails to use gearing effectively, resulting in a failure to outperform in a rising market or underperform in a falling market. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.
	The Portfolio Manager, Nitin Bajaj, has a differentiated style in relation to his peers. This style is intrinsically linked with the Company's investment philosophy and strategy and, therefore, the Company has a key person dependency on him. Fidelity has succession plans in place for its portfolio managers which have been discussed with the Board and provide some assurance in this regard.

<b>Environmental, Social and Governance (“ESG”) Risk</b>	There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate control. Fidelity International 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 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. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor developments in this area and reviews the positioning of the portfolio considering ESG factors.
<b>Pandemic Risk</b>	<p>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 follows Government recommendations and guidance and 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. PricewaterhouseCoopers LLP has also confirmed in the AAF Internal Controls report issued to Fidelity International that there have not been any significant changes to Fidelity International’s control environment as a result of COVID-19. Further to this, the Manager has provided the Board with assurance that the Company has appropriate business continuity plans and the provision of services has continued to be supplied without interruption during the pandemic.</p> <p>Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed when working from home or when split team arrangements were in place.</p> <p>The Company’s other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.</p>

Other risks facing the Company include:

## TAX AND REGULATORY RISKS

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

## 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 investigated.

## GOING CONCERN STATEMENT

The Financial Statements of the Company have been prepared on a going concern basis.

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 and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company’s portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has therefore concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 31 October 2022 which is 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 ongoing risks from COVID-19 as set out in the Pandemic Risk above. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement below.

## 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 above. 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 level of gearing;
- The Company’s NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company and their potential impact;
- The future demand for the Company’s shares;
- The Company’s share price relative 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 share price performance over the five year reporting period to 31 July 2021 has been strong with a total return of 68.3% compared to a total return of 59.5% for the Comparative Index. The NAV total return was 53.3%. The Board regularly reviews the investment policy and considers it to be 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 Manager’s compliance with the Company’s investment objective and policy, its investment strategy and asset allocation;

- The fact that the portfolio comprises sufficient readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets.

A continuation vote takes place every five 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 2 December 2016. The next continuation vote will take place at this year's AGM on 3 December 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.

## 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 below.

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 to 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 below or via the Company Secretary in writing at the same address or by email at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com). The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators throughout 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 investment 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 in the Annual Report.

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:

- authorising the repurchase of 753,228 ordinary shares when the Company's discount widened, in line with the Board's discount management policy;
- the decision to pay a final dividend of 8.80 pence per ordinary share, matching the highest rate paid in 2019 since the Company was launched;
- the appointment of Jefferies International Limited as the Company's Broker on 19 August 2021 following a broker review process; and
- as part of the Board's succession plans, the appointment of Sally Macdonald to the Board with effect from 1 January 2022.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to assume 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 the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at **www.fidelity.co.uk/asianvalues**. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, 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 12 October 2021 and signed on its behalf by:

**KATE BOLSOVER**  
Chairman

## INCOME STATEMENT FOR THE YEAR ENDED 31 JULY 2021

	Notes	Year ended 31 July 2021			Year ended 31 July 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	10	—	94,254	94,254	—	(66,743)	(66,743)
Gains on derivative instruments	11	—	6,975	6,975	—	6,285	6,285
Income	3	10,842	—	10,842	10,602	—	10,602
Investment management fees	4	(2,272)	649	(1,623)	(1,967)	312	(1,655)
Other expenses	5	(768)	(3)	(771)	(797)	—	(797)
Foreign exchange losses		—	(1,671)	(1,671)	—	(1,532)	(1,532)
		-----	-----	-----	-----	-----	-----
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		7,802	100,204	108,006	7,838	(61,678)	(53,840)
Finance costs	6	(287)	—	(287)	(686)	—	(686)
		-----	-----	-----	-----	-----	-----
<b>Net return/(loss) on ordinary activities before taxation</b>		7,515	100,204	107,719	7,152	(61,678)	(54,526)
Taxation on return/(loss) on ordinary activities	7	(774)	(3,380)	(4,154)	(731)	7	(724)
		-----	-----	-----	-----	-----	-----
<b>Net return/(loss) on ordinary activities after taxation for the year</b>		6,741	96,824	103,565	6,421	(61,671)	(55,250)
		=====	=====	=====	=====	=====	=====
<b>Return/(loss) per ordinary share</b>	8	9.20p	132.09p	141.29p	8.64p	(82.95p)	(74.31p)
		=====	=====	=====	=====	=====	=====

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

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

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

The Notes below form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non- distributable reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
<b>Total shareholders' funds at 31 July 2020</b>		18,895	50,501	3,197	7,367	3,379	176,283	9,778	269,400
Net return on ordinary activities after taxation for the year		—	—	—	—	—	96,824	6,741	103,565
Repurchase of ordinary shares	14	—	—	—	—	(2,660)	—	—	(2,660)
Dividend paid to shareholders	9	—	—	—	—	—	—	(6,241)	(6,241)
		-----	-----	-----	-----	-----	-----	-----	-----
<b>Total shareholders' funds at 31 July 2021</b>		18,895	50,501	3,197	7,367	719	273,107	10,278	364,064
		=====	=====	=====	=====	=====	=====	=====	=====
<b>Total shareholders' funds at 31 July 2019</b>		18,058	38,073	3,197	7,367	8,613	237,954	9,737	322,999
Net (loss)/return on ordinary activities after taxation for the year		—	—	—	—	—	(61,671)	6,421	(55,250)
Repurchase of ordinary shares	14	—	—	—	—	(5,234)	—	—	(5,234)

Issue of ordinary shares on the exercise of rights attached to subscription shares	14	770	11,332	–	–	–	–	–	12,102
Issue of new ordinary shares	14	67	1,096	–	–	–	–	–	1,163
Dividend paid to shareholders	9	–	–	–	–	–	–	(6,380)	(6,380)
		-----	-----	-----	-----	-----	-----	-----	-----
<b>Total shareholders' funds at 31 July 2020</b>		18,895	50,501	3,197	7,367	3,379	176,283	9,778	269,400
		=====	=====	=====	=====	=====	=====	=====	=====

The Notes below form an integral part of these Financial Statements.

## BALANCE SHEET AS AT 31 JULY 2021

### Company number 3183919

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Investments	10	350,225	241,271
		-----	-----
<b>Current assets</b>			
Derivative instruments	11	437	7,299
Debtors	12	3,489	1,886
Amounts held at futures clearing houses and brokers		2,825	1,115
Cash at bank		14,128	21,262
		-----	-----
		20,879	31,562
		-----	-----
<b>Current liabilities</b>			
Derivative instruments	11	(1,335)	(1,149)
Other creditors	13	(5,705)	(2,284)
		-----	-----
		(7,040)	(3,433)
		-----	-----
<b>Net current assets</b>		13,839	28,129
		-----	-----
<b>Net assets</b>		364,064	269,400
		=====	=====
<b>Capital and reserves</b>			
Share capital	14	18,895	18,895
Share premium account	15	50,501	50,501
Capital redemption reserve	15	3,197	3,197
Other non-distributable reserve	15	7,367	7,367
Other reserve	15	719	3,379
Capital reserve	15	273,107	176,283
Revenue reserve	15	10,278	9,778
		-----	-----
<b>Total shareholders' funds</b>		364,064	269,400
		=====	=====
<b>Net asset value per ordinary share</b>	16	497.50p	364.39p
		=====	=====

The Financial Statements below were approved by the Board of Directors on 12 October 2021 and were signed on its behalf by:

**KATE BOLSOVER**  
Chairman

The Notes on below form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACTIVITY

Fidelity Asian Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 3183919, 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 up to 31 October 2022 which is 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 Strategic Report below takes account of all events and conditions up to 31 October 2022 which is at least twelve months from the date of approval of these Financial Statements.

**b) Significant accounting estimates and judgements** – The preparation of the Financial Statements requires the use of estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates.

The key sources of estimation and uncertainty relate to the fair value of the unlisted investments.

### Judgements

The Directors consider whether each fair value is appropriate following detailed review and challenge of the pricing methodology. The judgement applied in the selection of the methodology used (see Note 2 (k) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

### Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Manager’s Fair Value Committee (“FVC”) for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. When no recent primary or secondary transaction in the company’s shares have taken place, the fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The estimates involved in the valuation process may include the following:

- (i) the selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- (ii) the selection of a revenue metric (either historical or forecast);
- (iii) the selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;
- (iv) the estimation of the likelihood of a future exit of the position through an initial public offering (“IPO”) or a company sale;
- (v) the selection of an appropriate industry benchmark index to assist with the valuation; and
- (vi) the calculation of valuation adjustments derived from milestone analysis and future cash flows (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).

As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in Note 17 below to illustrate the effect on the Financial Statements of an over or under estimation of fair value.

The risk of an over or under estimation of fair value is greater when methodologies are applied using more subjective inputs.

**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”) are accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

Interest received on CFDs, collateral and bank deposits 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 base investment management fee is allocated in full to revenue;
- The variable investment management fee, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Benchmark Index; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

**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 in the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on the 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 on bank overdrafts and collateral and interest paid on 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 charged in full to the revenue column of the Income Statement.

**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; and
- Unlisted investments are not quoted, or are not frequently traded, and are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, meets quarterly to determine the fair value of unlisted investments. These are based on the principles outlined in Note 2 (b) above.

The unlisted investments are valued at fair value following a detailed review and appropriate challenge by the Directors of the pricing methodology proposed by the FVC.

The FVC provide a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase. Consideration is also given to the input received from the Fidelity International analyst that covers the company and valuation reports from a third party specialist.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains/(losses) 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, futures, options and forward currency contracts. 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;
- Futures – the difference between the contract price and the quoted trade price;
- Forward currency contracts – valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date.

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

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

**o) Other creditors** – Other creditors include securities purchased for future settlement, capital gains tax payable, investment management fees, secretarial and administration 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) 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;
- Variable investment management fees;
- Dividends receivable which are capital in nature;

- Other expenses which are capital in nature; and
- Taxation charged or credited relating to items 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. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £57,000 (2020: losses of £68,000). See Note 17 below for further details on the level 3 investments.

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
<b>Investment income</b>		
Overseas dividends	9,457	9,817
Overseas scrip dividends	654	45
	-----	-----
	10,111	9,862
	-----	-----
<b>Derivative income</b>		
Dividends received on long CFDs	720	536
Interest received on CFDs	9	154
	-----	-----
	729	690
	-----	-----
<b>Other interest</b>		
Interest received on collateral and bank deposits	2	50
	-----	-----
<b>Total income</b>	10,842	10,602
	=====	=====

Special dividends of £4,103,000 have been recognised in capital (2020: £nil).

4 INVESTMENT MANAGEMENT FEES

	Year ended 31 July 2021			Year ended 31 July 2020		
	Revenue	Capital <sup>1</sup>	Total	Revenue	Capital <sup>1</sup>	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees	2,272	(649)	1,623	1,967	(312)	1,655
	=====	=====	=====	=====	=====	=====

1 For the calculation of the variable management fee element, the Company's NAV return was compared to the Benchmark Index return for the period from 1 August 2018 to the relevant reporting dates. This has resulted in an underperformance of the NAV and therefore a credit to the Company in the current and prior period.

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

The Company charges base investment management fees at an annual rate of 0.70% of net assets. In addition, there is +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. Fees are payable monthly in arrears and are calculated on a daily basis.

5 EXPENSES

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
<b>Allocated to revenue:</b>		
AIC fees	16	21
Custody fees	128	134
Depositary fees	29	26
Directors' expenses	13	9
Directors' fees*	144	164
Legal and professional fees	99	93
Marketing expenses	124	118
Printing and publication expenses	66	74
Registrars' fees	31	34
Secretarial and administration fees payable to the Investment Manager	75	75
Sundry other expenses	15	16
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	28	33
	-----	-----
	768	797
	-----	-----
<b>Allocated to capital:</b>		

Legal and professional fees	3	–
<b>Other expenses</b>	<b>771</b>	<b>797</b>
	=====	=====

\*     Details of the breakdown of Director’s fees are disclosed in the Director’s Remuneration Report below.

### 6 FINANCE COSTS

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
Interest on bank overdrafts and collateral	3	2
Interest paid on CFDs	225	428
Dividends paid on short CFDs	59	256
	-----	-----
	<b>287</b>	<b>686</b>
	=====	=====

### 7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 July 2021			Year ended 31 July 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>a) Analysis of the taxation charge for the year</b>						
Overseas taxation	774	–	774	731	–	731
Indian capital gains tax	–	3,380	3,380	–	(7)	(7)
	-----	-----	-----	-----	-----	-----
<b>Taxation charge for the year (see Note 7b)</b>	<b>774</b>	<b>3,380</b>	<b>4,154</b>	<b>731</b>	<b>(7)</b>	<b>724</b>
	=====	=====	=====	=====	=====	=====

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

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19% (2020: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 July 2021			Year ended 31 July 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	7,515	100,204	107,719	7,152	(61,678)	(54,526)
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	1,428	19,039	20,467	1,359	(11,719)	(10,360)
Effects of:						
Capital (gains)/losses not taxable*	–	(18,916)	(18,916)	–	11,778	11,778
Income not taxable	(1,866)	–	(1,866)	(1,826)	–	(1,826)
Excess management expenses	438	–	438	467	(44)	423
Excess interest paid	–	(123)	(123)	–	(15)	(15)
Overseas taxation	774	–	774	731	–	731
Indian capital gains tax	–	3,380	3,380	–	(7)	(7)
	-----	-----	-----	-----	-----	-----
<b>Taxation charge for the year (Note 7a)</b>	<b>774</b>	<b>3,380</b>	<b>4,154</b>	<b>731</b>	<b>(7)</b>	<b>724</b>
	=====	=====	=====	=====	=====	=====

\*     The Company is exempt from UK corporation tax 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 £7,460,000 (2020: £5,354,000), in respect of excess management expenses of £26,837,000 (2020: £24,531,000) and excess interest paid of £3,003,000 (2020: £3,648,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

In the Spring Budget the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This rate has been substantively enacted at the balance sheet date and has therefore been applied to calculate the unrecognised deferred tax asset for the current year (2020: 19%).

### 8 RETURN/(LOSS) PER ORDINARY SHARE

	Year ended 31.07.21	Year ended 31.07.20
Revenue return per ordinary share	9.20p	8.64p
Capital return/(loss) per ordinary share	132.09p	(82.95p)
	-----	-----
Total return/(loss) per ordinary share	<b>141.29p</b>	<b>(74.31p)</b>
	=====	=====

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	6,741	6,421
Net capital return/(loss) on ordinary activities after taxation	96,824	(61,671)
	-----	-----
Total return/(loss) on ordinary activities after taxation	103,565	(55,250)
	=====	=====
	Number	Number
Weighted average number of ordinary shares held outside Treasury	73,297,971	74,348,836
	=====	=====

## 9 DIVIDENDS PAID TO SHAREHOLDERS

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
	6,241	–
	–	6,380
	-----	-----
	6,241	6,380
	=====	=====
<b>Dividend paid</b>		
Dividend of 8.50 pence per ordinary share paid for the year ended 31 July 2020	6,241	–
Dividend of 8.80 pence per ordinary share paid for the year ended 31 July 2019	–	6,380
	-----	-----
	6,241	6,380
	=====	=====
<b>Dividend proposed</b>		
Dividend proposed of 8.80 pence per ordinary share for the year ended 31 July 2021	6,440	–
Dividend proposed of 8.50 pence per ordinary share for the year ended 31 July 2020	–	6,250
	-----	-----
	6,440	6,250
	=====	=====
<b>Total dividends paid</b>		

The Directors have proposed the payment of a dividend for the year ended 31 July 2021 of 8.80 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 3 December 2021 and has not been included as a liability in these Financial Statements. The dividend will be paid on 8 December 2021 to shareholders on the register at the close of business on 29 October 2021 (ex-dividend date 28 October 2021).

## 10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 £'000	2020 £'000
Listed investments	348,779	240,932
Unlisted investments	1,446	339
	-----	-----
<b>Investments at fair value</b>	350,225	241,271
	-----	-----
Opening book cost	266,633	289,167
Opening investment holding (losses)/gains	(25,362)	23,514
	-----	-----
<b>Opening fair value</b>	241,271	312,681
	-----	-----
<b>Movements in the year</b>		
Purchases at cost	201,449	173,591
Sales – proceeds	(186,749)	(178,258)
Gains/(losses) on investments	94,254	(66,743)
	-----	-----
<b>Closing fair value</b>	350,225	241,271
	-----	-----
Closing book cost	321,813	266,633
Closing investment holding gains/(losses)	28,412	(25,362)
	-----	-----
<b>Closing fair value</b>	350,225	241,271
	=====	=====

The Company received £186.7m (2020: £178.3m) from investments sold in the year. The book cost of these investments when they were purchased was £146.3m (2020: £196.1m). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

### Investment transaction costs

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

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
Purchases transaction costs	265	268
Sales transaction costs	377	360
	-----	-----
	642	628
	=====	=====

The portfolio turnover rate of the year was 66.1% (2020: 67.0%).

## 11 DERIVATIVE INSTRUMENTS

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
<b>Gains on derivative instruments</b>		
Realised gains/(losses) on long CFD positions closed	13,998	(1,741)
Realised (losses)/gains on short CFD positions closed	(910)	430
Realised gains on futures contracts closed	970	142
Realised gains on options contracts closed	–	1,162
Realised losses on forward currency contracts	(35)	(238)
Movement in investment holding (losses)/gains on long CFDs	(6,357)	6,745
Movement in investment holding gains/(losses) on short CFDs	71	(757)
Movement in investment holding (losses)/gains on futures	(779)	732
Movement in investment holding losses on options	–	(142)
Movement in investment holding gains/(losses) on forward currency contracts	17	(48)
	-----	-----
	6,975	6,285
	=====	=====
	2021 Fair value £'000	2020 Fair value £'000
<b>Derivative instruments recognised on the Balance Sheet</b>		
Derivative instrument assets	437	7,299
Derivative instrument liabilities	(1,335)	(1,149)
	-----	-----
	(898)	6,150
	=====	=====

	2021	Asset exposure	2020	Asset exposure
	Fair value £'000	£'000	Fair value £'000	£'000
<b>At the year end the Company held the following derivative instruments</b>				
Long CFDs	(682)	13,024	5,675	23,230
Long future	(336)	4,384	487	6,791
Short CFDs	176	5,942	105	5,393
Short futures	44	1,589	–	–
Forward currency contracts (hedging exposure)	(100)	(100)	(117)	(117)
	-----	-----	-----	-----
	(898)	24,839	6,150	35,297
	=====	=====	=====	=====

## 12 DEBTORS

	2021 £'000	2020 £'000
Securities sold for future settlement	1,384	619
Accrued income	1,595	1,183
Taxation recoverable	425	–
Other debtors and prepayments	85	84
	-----	-----
	3,489	1,886
	=====	=====

## 13 OTHER CREDITORS

	2021 £'000	2020 £'000
--	---------------	---------------



Securities purchased for future settlement	2,402	1,780
Indian capital gains tax payable	2,902	–
Creditors and accruals	401	504
	<hr/>	<hr/>
	5,705	2,284
	=====	=====

14 SHARE CAPITAL

	2021		2020	
	Number of	£'000	Number of	£'000
	shares		shares	
<b>Issued, allotted and fully paid</b>				
<b>Ordinary shares of 25 pence each held outside Treasury</b>				
<b>Beginning of the year</b>	73,932,107	18,483	72,233,453	18,058
Ordinary shares issued on the exercise of rights	–	–	3,081,455	770
New ordinary shares issued	–	–	265,981	67
Ordinary shares repurchased into Treasury	(753,228)	(188)	(1,648,782)	(412)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>End of the year</b>	73,178,879	18,295	73,932,107	18,483
	=====	=====	=====	=====
<b>Ordinary shares of 25 pence each held in Treasury<sup>1</sup></b>				
<b>Beginning of the year</b>	1,648,782	412	–	–
Ordinary shares repurchased into Treasury	753,228	188	1,648,782	412
	<hr/>	<hr/>	<hr/>	<hr/>
<b>End of the year</b>	2,402,010	600	1,648,782	412
	=====	=====	=====	=====
<b>Subscription shares of 0.001 pence</b>				
<b>Beginning of the year</b>	–	–	11,103,030	–
Cancellation of subscription shares on the exercise of rights	–	–	(3,081,455)	–
Cancellation of subscription shares	–	–	(8,021,575)	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>End of the year</b>	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total share capital</b>		18,895		18,895
		=====		=====

1     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 £2,660,000 (2020: £5,234,000).

A bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held took place on 5 December 2016. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price. The subscription price was based on the published unaudited NAV per ordinary share at 2 December 2016, plus a premium depending upon the year in which the right was exercised. The subscription share rights were exercised annually in the 25 business days prior to the relevant subscription date (on which the exercise would take effect). The subscription dates, subscription prices and premia were as follows:

	Exercise date	Exercise price	Premium
First exercise date	30 November 2017	370.75p	1%
Second exercise date	30 November 2018	381.75p	4%
Final exercise date	29 November 2019	392.75p	7%

After the final subscription date of 29 November 2019, the Company appointed a trustee to exercise any rights remaining that were not exercised by shareholders, providing that by doing so a profit could be realised. To realise a profit the sale proceeds from selling the resulting ordinary shares in the market would need to be in excess of the 392.75 pence per share price of exercising the rights, plus any related expenses and fees. On 13 December 2019, the Board of the Company announced the Trustee did not exercise any of the unexercised subscription rights of the 8,021,575 outstanding subscription shares. The Trustee determined the net proceeds of sale after deduction of all costs and expenses, would not have exceeded the costs of exercising the subscription share rights. Therefore, all subscription share rights for the outstanding subscription shares lapsed with nil value.

In the prior period, the Company issued 3,081,455 ordinary shares on the exercise of rights attached to subscription shares.

The subscription share price of 392.75 pence per ordinary share issued represented a premium of 367.75 pence per share over the 25 pence nominal value of each share. The total premium received on the issue of ordinary shares of £11,332,000 was credited to the share premium account.

The Company issued no new ordinary shares during the period (2020: 265,981 shares). In the prior period, the total premium received on the issue of new ordinary shares of £1,096,000 was credited to the share premium account.

15 CAPITAL AND RESERVES

	Share	Share	Capital	Other non-	Other	Capital	Revenue	Total
	capital	premium	redemption	distributable	reserve	reserve	reserve	shareholders'
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 August 2020</b>	18,895	50,501	3,197	7,367	3,379	176,283	9,778	269,400

Gains on investments (see Note 10)	–	–	–	–	–	94,254	–	94,254
Gains on derivative instruments (see Note 11)	–	–	–	–	–	6,975	–	6,975
Foreign exchange losses	–	–	–	–	–	(1,671)	–	(1,671)
Investment management fees (see Note 4)	–	–	–	–	–	649	–	649
Other expenses (see Note 5)	–	–	–	–	–	(3)	–	(3)
Indian capital gains tax (see Note 7)	–	–	–	–	–	(3,380)	–	(3,380)
Revenue return on ordinary activities after taxation for the year	–	–	–	–	–	–	6,741	6,741
Dividend paid to shareholders (see Note 9)	–	–	–	–	–	–	(6,241)	(6,241)
Repurchase of ordinary shares (see Note 14)	–	–	–	–	(2,660)	–	–	(2,660)
	-----	-----	-----	-----	-----	-----	-----	-----
<b>At 31 July 2021</b>	18,895	50,501	3,197	7,367	719	273,107	10,278	364,064
	=====	=====	=====	=====	=====	=====	=====	=====

The capital reserve balance at 31 July 2021 includes investment holding gains on investments of £28,412,000 (2020: losses of £25,362,000) as detailed in Note 10 above. See Note 2 (p) above for further details. The revenue and capital reserves are distributable by way of dividend.

### 16 NET ASSET VALUE PER ORDINARY SHARE

	2021	2020
Total shareholders’ funds	£364,064,000	£269,400,000
Ordinary shares held outside of Treasury at year end	73,178,879	73,932,107
Net asset value per ordinary share	497.50p	364.39p
	=====	=====

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

### 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, economic and political, investment performance, key person, discount control, environmental, social and governance (“ESG”), cybercrime and pandemic risks. Other risks identified are tax and regulatory and 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 below.

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 (listed and unlisted) and equity linked notes held in accordance with the Company’s investment objective and policies;
- Derivative instruments which comprise CFDs, forward currency contracts, futures on listed stocks and 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.

#### 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:

	2021	2020
	£’000	£’000
<b>Exposure to financial instruments that earn interest</b>		
Cash at bank	14,128	21,262
Short CFDs – exposure plus fair value	6,118	5,498
Amounts held at futures clearing houses and brokers	2,825	1,115
	-----	-----
	23,071	27,875
	=====	=====
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs – exposure less fair value	13,706	17,555
	-----	-----
<b>Net exposure to financial instruments that earn interest</b>	9,365	10,320
	=====	=====

Foreign currency risk

The Company’s net return/(loss) 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 Portfolio Manager may seek to manage exposure to currency movements by using forward and spot foreign exchange contracts. The Company can also be subject to short-term exposure to exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

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

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

Currency exposure of financial assets

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

2021					
	Investments at fair value	Long Exposure to derivative instruments <sup>1</sup>	Debtors <sup>2</sup>	Cash at bank	Total
Currency	£'000	£'000	£'000	£'000	£'000
Hong Kong dollar	93,093	10,693	1,104	137	105,027
Indian rupee	80,078	–	2,524	1,979	84,581
Taiwan dollar	37,202	–	865	28	38,095
South Korean won	35,849	–	2	6	35,857
Indonesian rupiah	25,135	–	–	–	25,135
US dollar	7,576	5,113	1,140	11,028	24,857
Australian dollar	21,055	–	–	24	21,079
Chinese renminbi	14,606	–	–	261	14,867
Singapore dollar	8,562	1,602	–	–	10,164
Philippine peso	7,330	(87)	480	–	7,723
Sri Lankan rupee	6,157	–	–	–	6,157
Vietnamese dong	4,364	–	115	665	5,144
Other overseas currencies	7,651	(13)	–	–	7,638
UK Sterling	1,567	–	84	–	1,651
	-----	-----	-----	-----	-----
	350,225	17,308	6,314	14,128	387,975
	=====	=====	=====	=====	=====

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

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

2020					
	Investments at fair value	Long exposure to derivative instruments <sup>1</sup>	Debtors <sup>2</sup>	Cash at bank	Total
Currency	£'000	£'000	£'000	£'000	£'000
Hong Kong dollar	59,135	15,730	474	50	75,389
Indian rupee	51,163	–	1,234	162	52,559
South Korean won	31,527	–	106	150	31,783
Taiwan dollar	23,098	–	312	89	23,499
Indonesian rupiah	21,064	–	362	–	21,426
Australian dollar	15,230	2,755	117	–	18,102
US dollar	9,616	9,549	66	19,665	38,896
Philippine peso	6,390	(117)	216	–	6,489
Singapore dollar	5,672	1,987	30	–	7,689
Sri Lankan rupee	4,948	–	–	–	4,948
Thai baht	3,809	–	–	–	3,809
Chinese renminbi	2,809	–	–	169	2,978
Other overseas currencies	5,753	–	–	977	6,730
UK Sterling	1,057	–	84	–	1,141
	-----	-----	-----	-----	-----
	241,271	29,904	3,001	21,262	295,438
	=====	=====	=====	=====	=====

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

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

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 payables. The currency profile of these financial liabilities is shown below:

Currency	2021		
	Short exposure to derivative instruments <sup>1</sup> £'000	Other creditors £'000	Total £'000
Hong Kong dollar	4,025	2,166	6,191
Indian rupee	1,589	2,987	4,576
US dollar	1,917	–	1,917
Australian dollar	–	98	98
Indonesian rupiah	–	53	53
Taiwan dollar	–	9	9
Singapore dollar	–	–	–
UK Sterling	–	392	392
	----- 7,531	----- 5,705	----- 13,236
	=====	=====	=====

1 The exposure to the market of short CFDs and short futures.

Currency	2020		
	Short exposure to derivative instruments <sup>1</sup> £'000	Other creditors £'000	Total £'000
US dollar	1,834	1,440	3,274
Hong Kong dollar	1,756	188	1,944
Australian dollar	1,114	83	1,197
Singapore dollar	689	–	689
Indian rupee	–	69	69
UK Sterling	–	504	504
	----- 5,393	----- 2,284	----- 7,677
	=====	=====	=====

1 The exposure to the market of short CFDs.

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company’s business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company’s internal Derivative Risk Measurement and Management Document.

Liquidity risk

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

Liquidity risk exposure

At 31 July 2021, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £1,335,000 (2020: £1,149,000) and creditors of £5,705,000 (2020: £2,284,000).

Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association’s (“ISDA”) market standard derivative legal documentation. These are know 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, the Manager will seek to minimise such risk by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

For OTC and exchange traded 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 July 2021, £129,000 (2020: £5,758,000) was held by the brokers in cash in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised: J.P. Morgan Securities plc £129,000 in cash denominated in US dollars (2020: Goldman Sachs International Ltd £350,000, HSBC Bank plc

£1,424,000 and UBS AG £3,984,000 all in cash denominated in US dollars). £2,825,000 (2020: £1,115,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral comprised: UBS AG £2,559,000 (2020: £1,115,000) in cash and HSBC Bank Plc £266,000 (2020: £nil) in cash.

Credit risk

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

Derivative 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;
- to hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company’s portfolio as a result of falls in the equity market; and
- to position short exposures in the Company’s portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 July 2021, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the net return on ordinary activities after taxation for the year and increased the net assets of the Company by £23,000 (2020: decreased the net loss and increased the net assets by £26,000). 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 as at the Balance Sheet date, a 10% strengthening of the UK Sterling exchange rate against other currencies would have decreased the Company’s net return on ordinary activities after taxation for the year and decreased the net assets (2020: increased the net loss and decreased the net assets) by the following amounts:

	2021	2020
Currency	£'000	£'000
Hong Kong dollar	8,986	6,677
Indian rupee	7,273	4,772
Taiwan dollar	3,462	2,136
South Korean won	3,260	2,889
Indonesian rupiah	2,280	1,948
US dollar	2,085	3,238
Australian dollar	1,907	1,537
Chinese renminbi	1,352	271
Singapore dollar	924	636
Philippine peso	702	590
Sri Lankan rupee	560	450
Vietnamese dong	468	364
Other overseas currencies	693	594
	-----	-----
	33,952	26,102
	=====	=====

Based on the financial instruments held and currency exchange rates as at the Balance Sheet date, a 10% weakening of the UK Sterling exchange rate against other currencies would have increased the Company’s net return on ordinary activities after taxation for the year and increased the net assets (2020: decreased the net loss and increased the net assets) by the following amounts:

	2021	2020
Currency	£'000	£'000
Hong Kong dollar	10,982	8,161
Indian rupee	8,889	5,832
Taiwan dollar	4,232	2,611
South Korean won	3,984	3,531
Indonesian rupiah	2,787	2,381
US dollar	2,549	3,958
Australian dollar	2,331	1,878
Chinese renminbi	1,652	331
Singapore dollar	1,129	778
Philippine peso	858	721
Sri Lankan rupee	684	550
Vietnamese dong	572	445
Other overseas currencies	848	726
	-----	-----
	41,497	31,903
	=====	=====

Other price risk – exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 July 2021, 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 £34,878,000 (2020: decreased the net loss and increased the net assets by £24,093,000). A decrease of 10% in share prices would have had an equal and opposite effect.

An increase of 10% in the valuation of unlisted investments held at the Balance Sheet date 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 £145,000 (2020: decreased the net loss and increased the net assets by £34,000). A decrease of 10% in the valuation 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 July 2021, 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 £988,000 (2020: decreased the net loss and increased the net assets by £2,463,000). A decrease of 10% in share prices 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 at bank, 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.

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

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	£'000	£'000	£'000	£'000
Investments	346,634	1,869	1,722	350,225
Derivative instrument assets	44	393	–	437
	-----	-----	-----	-----
	346,678	2,262	1,722	350,662
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(336)	(999)	–	(1,335)
	=====	=====	=====	=====
	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	£'000	£'000	£'000	£'000
Investments	238,836	2,096	339	241,271
Derivative instrument assets	487	6,812	–	7,299
	-----	-----	-----	-----
	239,323	8,908	339	248,570
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(1,149)	–	(1,149)
	=====	=====	=====	=====

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

	Year ended 31.07.21 £'000	Year ended 31.07.20 £'000
Beginning of the year	339	800
Purchases at cost	1,049	–
Transfer into level 3*	323	–
Proceeds from closing of the China Ding Yi Feng Holdings (Short CFD) position	–	(208)
Movement in investment holding gains/(losses)	11	(253)
	-----	-----
End of the year	1,722	339
	=====	=====

\* Financial instruments are transferred into level 3 on the date they are suspended, delisted or when they have not traded for thirty days.

**Eden Biologics (formerly JHL Biotech)**

Eden Biologics develops biosimilars and is also engaged in providing process development and contract manufacturing solutions to the biopharmaceutical industry and is an unlisted company. On 26 February 2018, the company voluntarily delisted from the Taipei Exchange. The valuation at 31 July 2021 is based on the company’s financial information, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 July 2021, its fair value was £321,000.

**Chime Biologics**

Chime Biologics is a China-based Contract Development and Manufacturing Organization (CDMO) that provides a solution supporting customers from early-stage biopharmaceutical development through to late-stage clinical and commercial manufacturing and is an unlisted company. The valuation at 31 July 2021 is based on the company’s financial information, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 July 2021, its fair value was £76,000.

**Tuhu Car**

Tuhu Car is an online retailer of auto spare parts and is an unlisted company. The valuation at 31 July 2021 is based on the cost of the investment when it was purchased in June 2021. At 31 July 2021, its fair value was £1,049,000.

**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 below 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 below. The principal risks and their management are disclosed in the Strategic Report below and in Note 17 above.

The Company’s gearing at the year end is set out below:

	2021 Asset exposure £'000	2020 Asset exposure £'000
Long exposure to shares and equity linked notes	350,225	241,271
Long CFDs	13,024	23,230
Long future	4,384	6,791
	-----	-----
<b>Total long exposures</b>	367,633	271,292
Less: hedging exposure to forward currency contracts	(100)	(117)
	-----	-----
<b>Total long exposures after the netting of hedges</b>	367,533	271,175
Short CFDs	5,942	5,393
Short futures	1,589	—
	-----	-----
<b>Gross Asset Exposure</b>	375,064	276,568
	-----	-----
<b>Total Shareholders’ Funds</b>	364,064	269,400
	=====	=====
<b>Gross gearing*</b>	3.0%	2.7%
	=====	=====

\* Gross Asset Exposure less Total Shareholders’ Funds expressed as a percentage of Total Shareholders’ Funds.

**19 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES**

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

Details of the current fee arrangements are given in the Directors’ Report above. During the year, management fees of £1,623,000 (2020: £1,655,000), and secretarial and administration fees of £75,000 (2020: £75,000) were payable to FIL. At the Balance Sheet date, management fees of £156,000 (2020: £117,000), and secretarial and administration fees of £25,000 (2020: £6,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £124,000 (2020: £118,000). At the Balance Sheet date, marketing services of £25,000 (2020: £25,000) were accrued and included in other creditors.

Disclosures of the Directors’ interests in the ordinary shares of the Company and Director’s fees and taxable expenses relating to reasonable travel expenses payable to the Directors are given in the Directors’ Remuneration Report above. In addition to the fees and taxable expenses disclosed in the Directors’ Remuneration Report, £14,000 (2020: £16,000) of employers’ National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors’ fees of £12,000 (2020: £12,000) were accrued and payable.

ALTERNATIVE PERFORMANCE MEASURES

TOTAL RETURN

Total return is considered to be an Alternative Performance Measure. NAV per ordinary share 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 ordinary share price goes ex-dividend.

The tables below provide information relating to the NAV per ordinary share, the ordinary share price of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 July 2021 and 31 July 2020.

	Net asset value per ordinary share	Ordinary share price
2021		
31 July 2020	364.39p	335.00p
31 July 2021	497.50p	483.00p
Change in year	+36.5%	+44.2%
Impact of dividend reinvestment	+3.0%	+3.4%
	-----	-----
<b>Total return for the year</b>	<b>+39.5%</b>	<b>+47.6%</b>
	=====	=====

	Net asset value per ordinary share	Ordinary share price
2020		
31 July 2019	447.16p	455.50p
31 July 2020	364.39p	335.00p
Change in year	-18.5%	-26.5%
Impact of dividend reinvestment	+1.8%	+1.7%
	-----	-----
<b>Total return for the year</b>	<b>-16.7%</b>	<b>-24.8%</b>
	=====	=====

ONGOING CHARGES

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

	2021	2020
Investment management fees (£'000)	2,272	1,967
Other expenses (£'000)	771	797
	-----	-----
<b>Ongoing charges (£'000)</b>	<b>3,043</b>	<b>2,764</b>
	-----	-----
Variable element of management fees (£'000)	(649)	(312)
Average net assets (£'000)	325,111	280,521
<b>Ongoing charges ratio</b>	<b>0.93%</b>	<b>0.98%</b>
<b>Ongoing charges ratio including variable element of management fee</b>	<b>0.73%</b>	<b>0.87%</b>
	=====	=====

GROSS GEARING

Gross Gearing is considered to be an Alternative Performance Measure. See Note 18 below for details of the Company’s gearing.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 July 2021 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2020 and 2021 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2020 is derived from the statutory accounts for 2020 which have been delivered to the Registrar of Companies. The 2021 Financial Statements will be filed with the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)

The Annual Report will be posted to shareholders in due course and additional copies will be available from the registered office of the Company and on the Company's website: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com) where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

**The Annual General Meeting will be held at 11.00 on 3 December 2021**



Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

ENDS