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FIDELITY EUROPEAN TRUST PLC

Annual Report for the year ended 31 December 2021



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Investment Objective and Overview

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

“This year was affected by yet another set of challenges stemming from COVID-19, including the new Omicron variant. An energy crisis hit European businesses and households, while supply chain disruption affected various industries. Inflation surpassed levels not seen in the Eurozone area since 2008.

Fortunately, Sam Morse and Marcel Stötzel, your Portfolio Managers, adopt a cautious investment approach, building a balanced portfolio which aims among other things to manage the risk of adverse developments. The focus on attractively valued dividend growers with strong balance sheets has remained an appealing

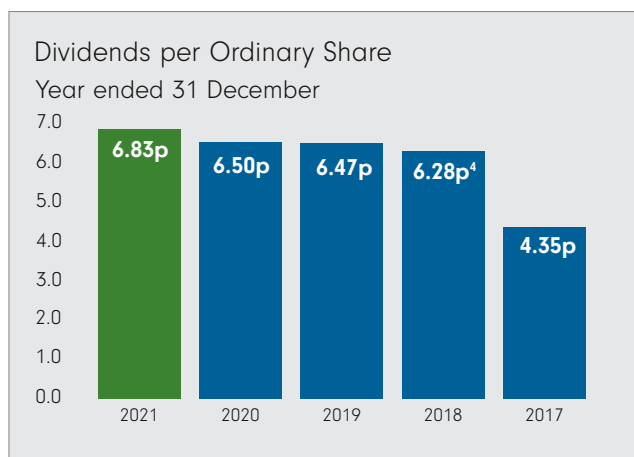
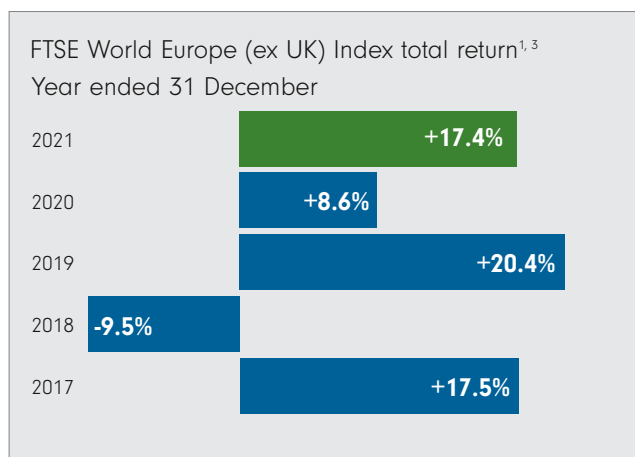
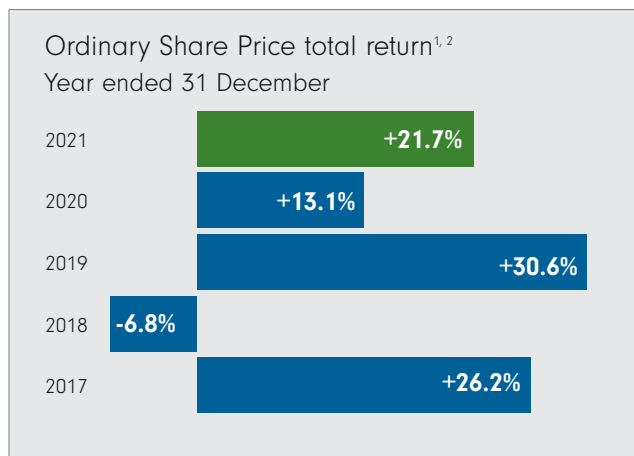
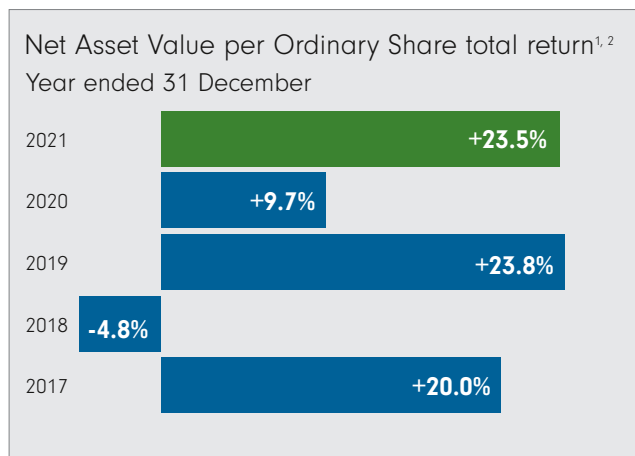
feature of the Company. The Portfolio Managers’ rigorous approach to stock selection has benefited shareholders during these difficult past two years, and I believe that it will continue to do so in the future.”

Vivian Bazalgette, Chairman



At a Glance

The Company's net asset value per ordinary share increased by 23.5% and the share price by 21.7%, whilst the Benchmark Index rose by 17.4% (all performance data on a total return basis).



1 Includes reinvested income.

2 Alternative Performance Measures. See pages 77 and 78.

3 The Company's Benchmark Index.

4 Includes 1.79 pence from the additional revenue generated from the change in the allocation of the management fees and finance costs.

As at 31 December 2021

Shareholders' Funds

£1,474.2m

Market Capitalisation

£1,399.5m

Capital Structure

Ordinary Shares of 2.5 pence held outside Treasury

411,016,049

Summary of the key aspects of the Investment Policy

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

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

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

Financial Highlights

	2021	2020
Assets at 31 December		
Gross Asset Exposure ¹	£1,638.2m	£1,364.3m
Gross Gearing ² (see Note 18 on pages 75 and 76).	11.1%	11.8%
Net Market Exposure	£1,638.2m	£1,336.5m
Net Gearing ² (see Note 18 on pages 75 and 76).	11.1%	9.4%
Shareholders' Funds	£1,474.2m	£1,220.3m
Net Asset Value ("NAV") per Ordinary Share ²	358.68p	296.57p
Ordinary Share Price and Discount at 31 December		
Ordinary Share Price at year end	340.50p	286.00p
Ordinary Share Price - year high	341.00p	290.00p
Ordinary Share Price - year low	264.00p	187.40p
Discount at year end ²	5.1%	3.6%
Discount - year high	9.9%	15.5%
Discount - year low	3.8%	3.6%
Results for the year ended 31 December - see page 56		
Revenue Return per Ordinary Share ²	7.50p	5.12p
Capital Return per Ordinary Share ²	61.15p	20.74p
Total Return per Ordinary Share ²	68.65p	25.86p
Final Dividend proposed per Ordinary Share	4.18p	3.90p
Interim Dividend paid per Ordinary Share	2.65p	2.60p
Total Dividends for the year	6.83p	6.50p
Ongoing Charges for the year ended 31 December ^{2,3}	0.79%	0.86%

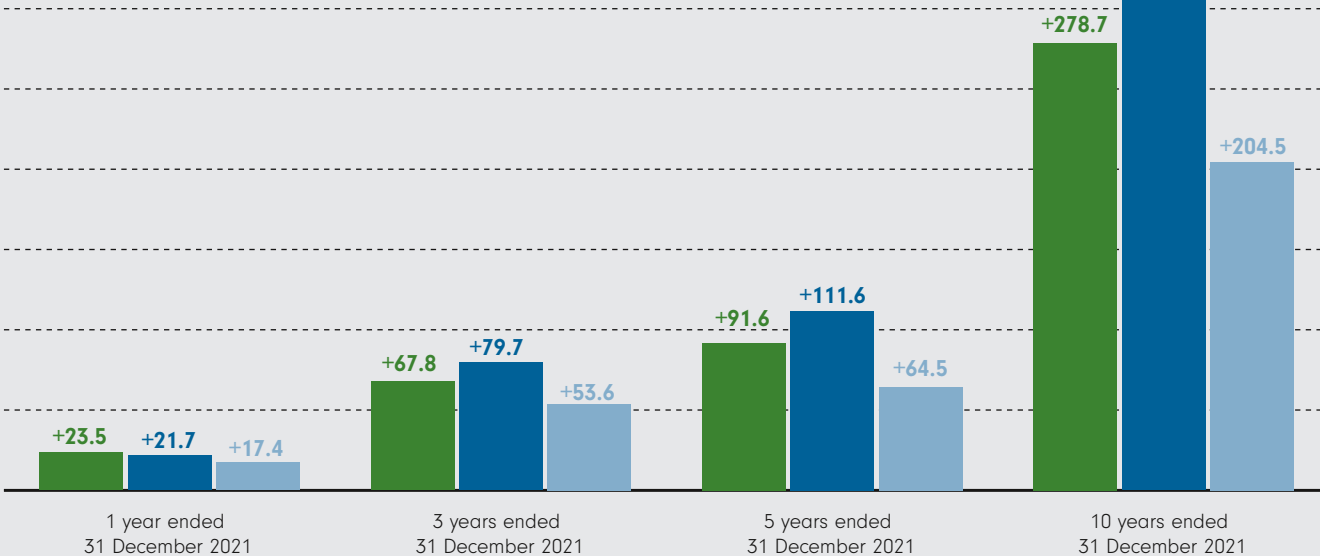
1 The value of the portfolio exposed to market price movements.

2 Alternative Performance Measures. See pages 77 and 78.

3 Ongoing charges (excluding finance costs and taxation) as a percentage of the average net asset values for the year (prepared in accordance with guidance issued by the Association of Investment Companies). A definition of Ongoing Charges is in the Glossary of Terms on page 88.

Standardised Performance Total Return¹ (%)

■ NAV per Ordinary Share ■ FTSE World Europe (ex UK) Index
■ Ordinary Share Price



1 Includes reinvested income.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

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Portfolio Managers' Review

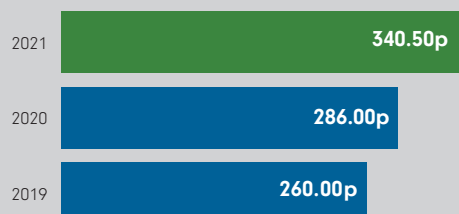
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Spotlight on the Top 10 Holdings

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Ordinary Share Price as at 31 December



Ten Year Record

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Chairman's Statement



I am pleased to present the Annual Report of Fidelity European Trust PLC for the year ended 31 December 2021.

Vivian Bazalgette, Chairman

£1,474.2m

(As at 31 December 2021)
Shareholders' Funds

+23.5%

(Year ended 31 December 2021)
Net Asset Value per Ordinary Share (total return)

+21.7%

(Year ended 31 December 2021)
Ordinary Share Price (total return)

+17.4%

(Year ended 31 December 2021)
Benchmark Index (total return)

This year was affected by yet another set of challenges stemming from COVID-19, including the new Omicron variant. An energy crisis hit European businesses and households, while supply chain disruption affected various industries. Inflation surpassed levels not seen in the Eurozone area since 2008.

Fortunately, Sam Morse and Marcel Stötzel, your Portfolio Managers, adopt a cautious investment approach, building a balanced portfolio which aims among other things to manage the risk of adverse developments. The focus on attractively valued dividend growers with strong balance sheets has remained an appealing feature of the Company. The Portfolio Managers' rigorous approach to stock selection has benefited shareholders during these difficult past two years, and I believe that it will continue to do so in the future.

Performance

The net asset value ("NAV") of the Company increased by 23.5% for the year ended 31 December 2021, outperforming the Benchmark Index, the FTSE World Europe (ex UK), which returned 17.4%. The discount widened over the course of the year but has narrowed in recent months. This resulted in a share price total return for the period of 21.7%, comfortably ahead of the Benchmark Index. The Company's NAV and share price total return performance over one, three, five and ten years remains well ahead of the Benchmark Index, as can be seen from the chart on the Financial Highlights page. These are pleasing results for the Company, which continues to outperform the Index over multiple time periods.

Continental European equity markets built on the rebound of the second half of 2020 to stage a strong 2021, helped by higher vaccination rates, earnings upgrades and improving investor sentiment. Most sectors ended the year in positive territory, with IT, Energy and Financials leading the way. From a style perspective, growth stocks outperformed value and large capitalisation stocks marginally outperformed smaller companies. A key influence was that the European Central Bank took a more cautious approach to reducing asset purchases, indicating that it also expects rates to rise more gradually than in the US and UK.

Outlook

The Ukrainian crisis and accompanying Western sanctions on Russia, together with any tit-for-tat measures, threaten to inhibit economic growth in Europe as a whole. While one's first thoughts in such circumstances are for the suffering of the Ukrainian people, it happens to be true that Ukraine is a major world supplier of a wide range of agricultural and mineral commodities. More limited supply of these could exacerbate inflationary pressures worldwide, as could unpredictable Russian oil and gas exports. This makes for a cautionary background. I would like to stress, however,

that the Company has no direct investments in Russia and the Ukraine.

A rising trend in US inflation and interest rates also inhibits the prospects for European equities in 2022 but there are some optimistic pointers as well. The fight against COVID-19 gets stronger with each passing year as vaccination and booster rates increase and treatments for those affected improve. This should help economies continue to reopen in a manner where people and businesses become accustomed to operating as normal with COVID. In particular, Europe has a strong export sector and is therefore poised to benefit from the global recovery. The Continent in general, however, is not immune from inflationary pressures being felt elsewhere in the world, and supply chain shortages remain a prominent feature. This serves to provide another cautionary note and your Portfolio Managers will accordingly be vigilant regarding sectors which suffer pressure on earnings as a result.

Your Portfolio Managers' approach to dealing with an uncertain economic and geo-political environment should continue to serve shareholders well. Attractively valued dividend growers with strong balance sheets have outperformed over the long term. The Portfolio Manager and Co-Portfolio Manager reflect on their investment approach and their learning experiences over the past year in the Portfolio Managers' Review on pages 6 to 11.

Environmental, Social and Governance ("ESG") Investment

COP26 was an important, global event in November 2021 where governments, businesses, climate experts and campaigners gathered for discussions and negotiations to tackle climate change. It provided a platform to attempt to align and co-ordinate international efforts in the fight against the climate crisis. There is increasing concern about global warming, and a focus on serious efforts to counter its effects. There was progress in the form of commitments and initiatives across a wide range of matters from deforestation to clean energy transition but more needs to be done. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance. Continuing deterioration in the climate brings investment risk into our portfolio. We have a responsibility to make sure that we are being rewarded for the risk that we are taking on behalf of our investors and you will expect us to do that. Fidelity International continues to evolve its approach to ESG and has a new climate investing policy as well as sustainable investing voting principles and guidelines and further improvements to its proprietary forward-looking ESG and climate ratings.

Sam Morse outlines Fidelity International's approach to this important subject in his report and what this means for the Company's investment portfolio. The Fidelity group of companies (including the Manager) has embedded ESG factors in its investment decision making process. Further details are on pages 30 to 33 which show how the Company is positioned in terms of ESG.

OTHER MATTERS

Revised Management Fee

The Board reviews the Company's management fee structure with the Manager each year to ensure that the terms of the fee are competitive and reasonable for shareholders. As part of this review, I am pleased to inform shareholders that the Board agreed a reduced management fee with the Manager, FIL Investment Services (UK) Limited, which was effective on 1 April 2021. The first tier of the previous fee structure of an annual rate of 0.85 per cent on the first £400 million of the Company's net assets remained unchanged. However, the previous rate of 0.75 per cent on net assets in excess of £400 million reduced to 0.65 per cent, thus achieving useful savings on overall percentage costs for shareholders.

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

Dividends

The Board does not influence the Portfolio Managers by imposing any income objective in any particular year and the investment focus on companies capable of growing their dividends remains. The Board acknowledges that both capital and income growth are components of performance, as reflected in the investment objective of the Company. It therefore has a policy whereby it seeks to pay a progressive dividend in normal circumstances and to pay dividends twice yearly in order to smooth dividend payments for the reporting year. The Company's revenue return for the year to 31 December 2021 was 7.50 pence per share (2020: 5.12 pence), and an interim dividend of 2.65 pence per share was paid on 29 October 2021 (2020: 2.60 pence).

The Board recommends a final dividend of 4.18 pence per share for the year ended 31 December 2021 (2020: 3.90 pence) for approval by shareholders at the Annual General Meeting ("AGM") on 10 May 2022. The interim and final dividends (total of 6.83 pence) represent an increase of 0.33 pence (5.1%) over the 6.50 pence paid for the year ended 31 December 2020. In the prior year, the dividends of many companies were under pressure, with dividends either being cut or cancelled, and the Company therefore utilised revenue reserves built up in prior years to cover the final dividend. Unlike open-ended funds, investment trusts can hold back some of the income they receive in good years, thereby building up revenue

Chairman's Statement continued

reserves, which can then be used to supplement dividends during difficult times. Conversely, once company dividends are restored or increased again, it is appropriate to seek to replenish revenue reserves, and we are accordingly returning to our policy of retaining a small proportion of earnings in order to help achieve this.

The final dividend will be payable on 17 May 2022 to shareholders on the register at close of business on 1 April 2022 (ex-dividend date 31 March 2022). Shareholders may choose to reinvest their dividends for additional shares in the Company.

Discount Management and Treasury Shares

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

In order to assist in managing the discount, the Board has shareholder approval to hold ordinary shares repurchased by the Company in Treasury, rather than cancelling them. Shares in Treasury are then available to be re-issued at NAV per share or at a premium to NAV per share, facilitating the management of and enhancing liquidity in the Company's shares. The Board is seeking shareholder approval to renew this authority at the AGM on 10 May 2022.

In August 2021, the Company repurchased 450,000 ordinary shares into Treasury when the discount widened. Since then, the discount has remained in single digits and no further shares have been repurchased.

Gearing

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Manager has flexibility to gear within the parameters set by the Board. As at 31 December 2021, the Company's gross gearing was 11.1% (2020: 11.8%) whilst net gearing was 11.1% (2020: 9.4%). In the reporting year, gearing made a positive contribution to performance, as can be seen from the attribution analysis table on page 18.

The Board monitors the level of gearing and the use of derivative instruments carefully and has defined a risk control framework for this purpose which is reviewed at each Board meeting. It should be stressed that all gearing is subject to the Portfolio Managers' confidence in identifying attractive investment opportunities, and to them remaining attractive.

Board of Directors

After serving on the Board for nine years, Marion Sears will step down from the Board at the conclusion of the AGM on 10 May 2022. I would like to thank her on behalf

of the Board and all of the Company's stakeholders for her invaluable contribution to the Company. We have been very fortunate to have benefited from her extensive corporate experience, her well-judged advice and her perspective, all delivered with a combination of tact and incisiveness. She takes with her our very best wishes for the future. As Marion's successor, Milyae Park was appointed as non-executive Director on 1 January 2022. Milyae is a non-executive Director of the Museum of London and chairs the related Museum of London (Trading) Ltd Board, which governs the Museum's commercial interests. Prior to this, she held senior global executive positions in a career that has spanned investment banking, financial services, retail and fashion, after beginning her career as a Chartered Accountant in the US. She holds an MBA from The Wharton School.

I am delighted that Paul Yates has agreed to succeed Marion as Senior Independent Director with effect from 10 May 2022.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with the range of appropriate skills and experience for your Company. In accordance with the UK Corporate Governance Code for Directors of FTSE 350 Companies, all Directors, with the exception of Marion Sears, will be subject to annual re-election at the AGM on 10 May 2022. Milyae Park, having been appointed on 1 January 2022, is subject to election at the same AGM. The Directors' biographies can be found on page 34, and between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Annual General Meeting - attend online or in person

Sadly, as a result of COVID-19, we have not been able to meet in person for our Annual General Meetings since 2019. Whilst we were sorry not to engage directly with shareholders, we were pleased to be able to do so online, broadcasting a live presentation and taking written questions posed in real time, using the internet. We were also delighted with the level of online attendance and have received positive feedback on this approach from shareholders who were unable to travel to London. Learning valuable lessons from the pandemic, the Company updated its Articles of Association at the AGM in May 2021 so that 'hybrid' general meetings can be held from this year and in future years. Hybrid meetings allow attendance and voting in person and also remotely in real time. The presentations and formal business will be filmed and simultaneously streamed online. We will welcome questions from those in the room and also those investors attending online on an equal footing. In this way, we hope to provide a best-in-class choice to shareholders wherever they are located. More details are set out below and in

the full Notice of Meeting on page 82. We look forward to welcoming as many of you as possible in person or online on the day.

ANNUAL GENERAL MEETING – TUESDAY, 10 MAY 2022 AT 12 NOON

The AGM of the Company will be held at **12 noon on Tuesday, 10 May 2022** at Fidelity’s offices at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul’s or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 80 to 83.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Sam Morse, the Lead Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He, the Co-Portfolio Manager and the Board will be very happy to answer any questions that shareholders may have. Copies of his presentation can be requested by email at investmenttrusts@fil.com or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 82 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Managers and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company’s **website www.fidelity.co.uk/europe**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the **website <https://web.lumiagm.com>**.

Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **164-099-858**. You should then select the ‘Guest Access’ option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

Vivian Bazalgette

Chairman

17 March 2022

Portfolio Managers' Review



Sam Morse, Portfolio Manager

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



Marcel Stötzel, Co-Portfolio Manager

Marcel Stötzel was appointed as Co-Portfolio Manager of Fidelity European Trust PLC on 1 September 2020. He joined Fidelity as an analyst in 2014 covering US Tech before moving on to cover European Software and IT services and thereafter European Aerospace, Defence and Airlines. After a highly rated period in research, he became a Portfolio Manager and he has co-managed the Fidelity European Fund since September 2020. Prior to joining Fidelity, he worked as an investment banker at Barclays. He holds an MBA (INSEAD) and is a CFA charter holder.

Question

2021 marked a significant milestone for the Company as it celebrated its 30-year anniversary. Sam, you have been at the helm for more than 10 of those years. What stands out to you as you reflect on this period?

Answer

Sam: There is much to celebrate. Continental Europe is sometimes seen as a poor prospect when it comes to investing and this is understandable given newspapers filled with headlines about political upheavals and sclerotic economies. The companies of Europe have, however, done much better than many might have expected over those decades. An investment of ten thousand pounds in the Company at launch on Guy Fawkes day in 1991, would now be worth as much as half a million pounds assuming all dividends received have been reinvested – an annualised total return of almost 14% per annum in sterling terms. That is a testament to the power of compounding, the benefits of gearing (one of the great advantages of an investment trust as a vehicle) and the merits of stock-picking. The Company has had four different portfolio managers, each with their own approach to stock-picking, but the secret sauce has been Fidelity's in-house research effort. Almost three hundred different analysts have supported the Company over that time with fantastic investment ideas. They are really the unsung heroes of this celebration.

Question

As we head into yet another year under the veil of a global pandemic, what lessons have you learnt both personally and professionally?

Answer

Sam: We are learning as we go, probably like everyone else. We are learning that like many things in life, it is often two steps forward and one step back. We must avoid being too gung-ho when optimism is ascendant and we must avoid being too despondent when bad news surfaces. Those waves in sentiment can offer good opportunities to add value through trading existing positions. Despite the pandemic, companies' earnings and dividends are still growing and stock prices are still rising. It pays to stay invested whatever the headlines. That is because even if the pandemic dampens short-term activity,

the stock market rewards long-term earnings and dividend potential. The pandemic's impact has encouraged companies to pursue greater innovation and efficiency which will result in growing dividends for investors on a multi-year view. The benefits of stock-picking remain undiminished.

Marcel: Amazingly, despite having over 10 years of investment experience, this has been my first experience of a real stock market downturn given how strong markets have been since 2007. In many ways this downturn has been unique in its severity and speed, however, in other ways it has shown the same textbook opportunities and threats that we usually see when market fear is very high.

Question

How has this translated into performance over the previous twelve months?

Answer

Sam: Markets entered the year still riding a wave of exuberance which followed the news regarding the high effectiveness of anti-COVID vaccines. However, it soon became clear that despite having a growing arsenal of vaccines and drugs to protect us, new variants would still require restrictions impacting mobility and economic activity. As the year progressed, there was increasing recognition that the pandemic was reducing supply due to labour shortages, etc. and investors grew concerned that we might have to endure a period of "stagflation" (low growth and high inflation). The year ended with a curious cocktail of worries due to the emergence of a new more contagious, but perhaps less harmful variant (Omicron), and a more hawkish-sounding Federal Reserve following the reappointment of Jay Powell. This all contributed to a much more variable year in terms of stock market leadership with periods where cyclical and value stocks did well and other periods where defensives and growth stocks shone. Overall, however, the rising tide of earnings and dividends coupled with tremendous liquidity, thanks to supportive monetary policy, propelled equity markets to new highs. Over the twelve months, the Company's NAV rose by 23.5% outperforming the Benchmark Index which rose by 17.4%. The Company's share price lagged the rise in the NAV due to a widening of the discount but still returned a very healthy 21.7%, also outperforming the Benchmark. All performance data is in sterling and on a total return basis.

Portfolio Manager's Review continued

Question

What stock picks have done well, which ones not so well, and why?

Answer

Sam: It was quite a varied list of outperformers this year with representatives from many different sectors. In technology, ASML was a standout performer as a result of the announcement of big increases in capital expenditure by semiconductor customers in the wake of on-going shortages. Hermes International and LVMH Moët Hennessy both rose strongly in 2021 with high-end consumers redirecting their spend from experiences and holidays, due to restrictions, to luxury goods. Private equity names, EQT and Partners Group, enjoyed an exceptional year of rising values and accretive transactions. By contrast, in healthcare, Grifols and Fresenius Medical Care struggled due to on-going headwinds resulting from the pandemic. The industrials sector was also an area of relative weakness for the Company's portfolio, especially elevator companies Kone and Schindler Holding, due to a deteriorating outlook for the Chinese new installation market given the balance sheet problems faced by Evergrande and other Chinese property developers. Enel performed poorly during the year too as investors grew increasingly concerned that returns from renewable energy projects would suffer from growing competition and that governments, particularly in Spain, would seek to mitigate high electricity prices by requiring utility companies to shoulder some of the burden.

Marcel: A stock that performed well and one that is interesting is Novo Nordisk. While Novo Nordisk's core insulin drugs continued to perform strongly during the year, we also saw very encouraging numbers from their obesity products; an area we continue to be very positive about with regard to its long term potential. MTU Aero Engines performed poorly, as did most of the aerospace sector, from the view that Omicron could cause the COVID pandemic to be longer and more severe (interestingly, this view has changed entirely in 2022, with the view now being that Omicron could result in COVID becoming endemic much more quickly than the Delta variant would have).

Top 5 Stock Contributors (on a relative basis)

	%
ASML	+1.2
EQT	+0.8
Novo Nordisk	+0.8
Linde	+0.8
Hermes International	+0.7

Top 5 Stock Detractors (on a relative basis)

	%
Enel	-1.1
Grifols	-0.7
MTU Aero Engines	-0.5
Deutsche Börse Group	-0.5
Telenor	-0.5

Question

Many macro uncertainties remain as we head into 2022. What does this mean for the companies in the portfolio?

Answer

Sam: We do not try to predict which uncertainties will become realities. We do, however, try to build a balanced portfolio using the sector groupings as our guide, such that it is the stock-picking, with our particular focus on attractively-valued dividend growers that will drive the performance of the Company over time rather than macroeconomic or other factors. Each individual stock position is, of course, subject to macroeconomic factors but the beauty of diversification is that exposure can be dampened through portfolio construction, allowing idiosyncratic elements to determine performance. Clearly, sometimes we face stylistic headwinds in the short term. Our focus on steady growers, sometimes tagged as bond proxies, can mean we face a headwind to performance when inflation expectations or bond yields rise. Over the long term, however, these factors even out and relative performance, good or bad, is primarily a function of stock-picking.

Question

Marcel, you recently wrote about Europe driving the next decade of innovation. Which sectors are you looking at most closely in 2022 to position the Company to take advantage of this?

Answer

Marcel: The most obvious example comes from the European tech sector where we see companies such as Dassault Systèmes and ASML continuing to be amongst the most innovative companies globally. However, another recent example is European consumer goods companies which are at the leading edge when it comes to the latest tech buzzword – the "metaverse". Put simply, the metaverse is a network of 3D virtual worlds that is facilitated by

the use of virtual and augmented reality. Examples of European innovations include: EssilorLuxottica partnering with Meta (formerly Facebook) on augmented reality Ray-Ban sunglasses, Gucci (part of Kering) and Roblox partnering to offer digital outfits, Louis Vuitton selling Non Fungible Tokens (NFTs) and Adidas announcing a partnership with leading crypto exchange Coinbase and purchasing virtual real estate in The Sandbox. While these initiatives are currently small, some experts are forecasting that over the coming decade digital purchases could account for 25% of luxury goods sales, which given the high margins these products have would be very meaningful for share prices. Although clearly given the long-term nature of these trends, we also should not lose sight of the short term drivers such as inflation potentially hurting luxury good spending.

Question

How are you thinking about positioning the Company's gearing into the next year?

Answer

Sam: As mentioned in last year's Annual Report, the Board has endorsed a new approach to the Company's gearing. In keeping with Fidelity's long-held conviction that it is a "mug's game" to try to time markets, going forward, the intention is to maintain a relatively fixed level of gearing within a range that is approximately double the 6% average during my tenure as the Company's Portfolio Manager. Gearing is, of course, one of the great advantages of an investment trust, and although it may amplify volatility in the short term, we expect it to enhance long-term returns. The agreed level of gearing takes into account our cautious investment approach and allows considerable headroom in the event of a sharp sell-off in the market.

Question

Fidelity continues to evolve its approach to Environmental, Social and Governance ("ESG"), with a new Climate Investing Policy, sustainable investing voting principles and guidelines, and improvements to its proprietary forward-looking ESG and climate ratings. Has your investment approach adapted as a result?

Answer

Sam: ESG is becoming ever more integrated into our investment approach as our resources in this area grow. Environmental, social and governance risks have, of

course, always been monitored in the quest for companies that can sustain consistent dividend growth; even well before they were tidied up into a handy acronym. Activity on this front is on-going from meetings with Nestlé regarding the use of plastic to conversations with board members of many holdings regarding the appropriateness of management incentives. At Fidelity, we strongly believe that integration and engagement will yield the best results in terms of both ESG outcomes and investment performance. Exclusion is reserved, very much as a last resort, for persistent offenders that express no intention to change.

On the next page, we share an example of our thematic engagement in the consumer staples and plastic packaging sector and a case study on Nestlé.

Question

One of the macro uncertainties is the conflict in Ukraine. What implications does this have for the Company?

Answer

Marcel: First and foremost clearly our thoughts go out to the people suffering as a result of the war in Ukraine. We all hope that this conflict will end peacefully soon.

With regards to the Company we have no direct investments in the Ukraine and Russia. Having said that, the Company is clearly exposed to the wider impacts of the conflict, most obviously stock market indices declining, energy prices soaring and defence spending materially increasing among a number of EU countries (most notably Germany). While we factor all of these into our analysis, predicting how the situation plays out from here is very difficult however, and we are not positioning the Company to profit from any particular outcome. This is a good example of why we stick to bottom-up stock picking – not only are macro uncertainties hard to call but even if one does call them then correctly predicting their impact is another challenging task. A small proportion of people who predicted COVID correctly in the early days would have called the resultant bull market that was soon to follow.

Sam Morse

Lead Portfolio Manager
17 March 2022

Marcel Stötzel

Co-Portfolio Manager
17 March 2022

Portfolio Manager's Review continued

Thematic Engagement: Consumer Staples and Plastic Packaging

BACKGROUND

In 2021, we launched a thematic engagement on plastic packaging with nine consumer goods companies, including the Company's holding in Nestlé. Plastic packaging from consumer products is a major source of ocean pollution and the Break Free From Plastic Coalition has identified fast moving consumer goods (FMCG) companies as the top plastic polluters. Failure to manage plastic use could impact financial performance as extended producer responsibility legislation is being considered and introduced across Europe, making companies responsible for collecting and disposing packaging waste. Investors can contribute to this process by engaging with companies to encourage the transition.

OBJECTIVE AND GOALS

Our engagement objective is to reduce the impact of plastic on biodiversity by encouraging consumer companies to transition to more circular business models. Although many companies already have plastic packaging targets, few provide much detail on how they will be met. We want consumer companies to set quantifiable targets to reduce their overall plastic packaging use, to make a proportion of their plastic packaging reusable, and to clarify that plastic packaging should be 100% practically and not just technically recyclable or compostable.

We wrote to nine companies requesting meetings and outlining our position on plastics. Eight of the nine companies we met are Ellen MacArthur Foundation signatories and as a result have 2025 targets for 100% of their plastic packaging to be recyclable, reusable, or compostable, as well as to increase their use of recycled or bio-based plastics and reduce their use of virgin plastic.

OUR ENGAGEMENT

Our conversations helped us to understand the practices at different companies and how they plan to meet their targets. Only one of the nine companies has an overall plastic reduction target, with the others intending to meet virgin plastic targets through use of post-consumer recycled plastic ("PCR"). We learnt that there are many ways to reduce plastic use, for example, through reusable and refillable packaging, as well as collection if the company is exposed to polyethylene terephthalate ("PET"). We also discussed the barriers these companies face. One issue is the fact that the fashion industry is increasingly buying PCR to use in sustainable clothing products, which is reducing the already limited supply of these plastics for the consumer goods industry and driving up prices. The information we gathered helped us measure progress against targets and outline examples of best practice.

Case Study

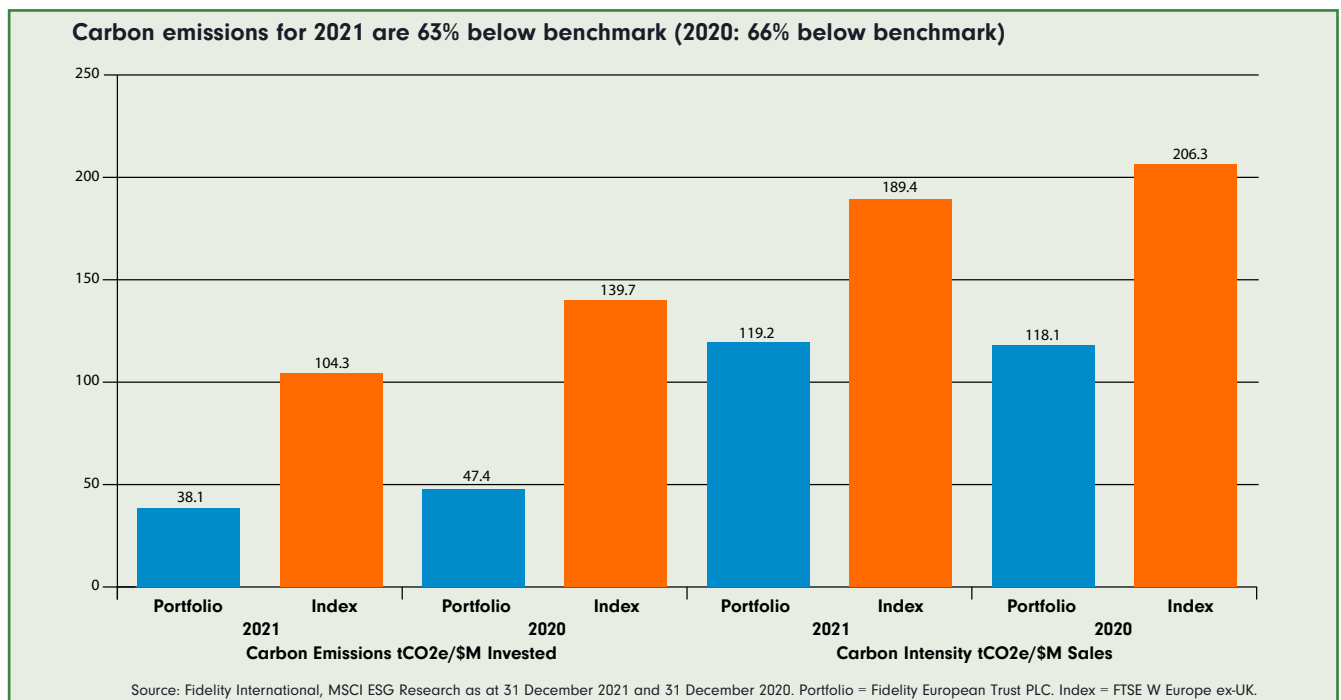
NESTLÉ

We met with Nestlé in December 2021 and were impressed by the company's five-pillar approach to cutting its packaging footprint, which includes reducing use, developing reusable and refillable packaging, and recycling. Nestlé has an innovative packaging institute that is developing alternative plastics and packaging and has committed to invest 2 billion Swiss francs on sustainable solutions. Last year Nestlé switched its Smarties tube lids from plastic to paper, making it the first confectionary brand to use completely recyclable paper packaging. Nestlé told us it was encouraged by government initiatives to tackle plastic waste and was confident it could make progress towards its 2025 plastic reduction targets.

NEXT STEPS

We would like to talk to companies about harmonising their reporting standards and disclosing research and development (R&D) investment and plastic packaging advocacy and lobbying activity. We will keep encouraging companies to embed best practice and intend to extend our engagement to consumer goods companies in Asia, which are typically at an earlier stage in the transition to sustainable packaging.

ESG characteristics of the Company's portfolio



Spotlight on the Top 10 Holdings

as at 31 December 2021

(Based on Asset Exposure expressed as a percentage of Net Assets. Asset Exposure comprises the value of direct equity investments plus market exposure to derivative instruments.)

Industry Food Producers

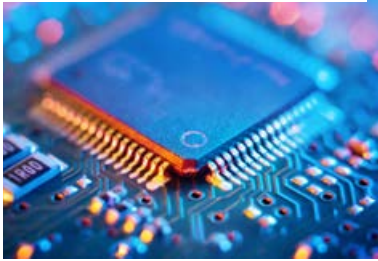


Nestlé (Switzerland)

% of Net Assets **7.3%**

The world's largest food and beverage company, Nestlé has more than 2,000 brands that are sold in over 180 countries. Nestlé was founded over 120 years ago after Henri Nestlé's infant formula company merged with the Anglo-Swiss Condensed Milk Company. Nestlé expanded significantly during both world wars and broadened its product range beyond milk and infant formula. In recent years, the company has been investing in plant-based food with a view to engaging younger and vegan consumers. Its 2030 ambitions support the UN Sustainable Development Goals.

Industry Technology Hardware & Equipment



ASML (Netherlands)

% of Net Assets **5.9%**

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

Industry Pharmaceuticals & Biotechnology



Roche (Switzerland)

% of Net Assets **5.4%**

Swiss multinational healthcare giant, Roche is one of the world's largest biotechnology companies. It aims to improve the standard of care across oncology, immunology, infectious diseases, ophthalmology, and neuroscience. The company has been ranked as one of the most sustainable healthcare companies by the Dow Jones Sustainability Indices for 13 years running. In 1990, the group acquired a 60% stake in Genentech and bought the remaining stake in 2009. Genentech has been one of the most productive biotech names in the last twenty years, developing medicines such as Herceptin, Rituxan and Avastin.

Industry Personal Goods



LVMH Moët Hennessy (France)

% of Net Assets **5.3%**

French multinational luxury goods conglomerate, LVMH Moët Hennessy prides itself on being a world leader in luxury. It owns 75 brands across wine and spirits, fashion and leather goods, perfume and cosmetics, watches and jewellery and selective retailing. Among the most renowned names in its range are Dom Perignon, Moët & Chandon, Christian Dior, Marc Jacobs, Acqua di Parma and Chaumet. In the last few years there has been renewed focus on improving production methods and developing digital activities.

Industry Personal Goods



L'Oréal (France)

% of Net Assets **4.0%**

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

Industry Pharmaceuticals & Biotechnology



Novo Nordisk (Denmark)

% of Net Assets 3.8%

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

Industry Medical Equipment & Services



EssilorLuxottica (France)

% of Net Assets 3.6%

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed by the 2018 merger of Essilor, founded in 1849, and Luxottica, founded in 1961, the combined company has over 11,000 patents and more than 180,000 employees. The result is a vertically integrated business that seeks to provide innovative lenses and frames to improve the lives of its customers.

Industry Pharmaceuticals & Biotechnology



Sanofi (France)

% of Net Assets 3.2%

Sanofi, the French biopharmaceuticals giant, has 69 manufacturing sites in 32 countries and more than 100,000 employees. The company has a number of focus areas, including health and wellbeing, diabetes and cardiovascular, speciality care, and vaccines. A growing and aging global population is a supportive secular factor that should mean medical needs remain high.

Industry Oil, Gas & Coal



TotalEnergies (France)

% of Net Assets 3.1%

TotalEnergies has produced oil and gas for almost 100 years. Previously known as Total, it rebranded in 2021 to reflect its ambition to support the energy transition. Founded in 1924, the company has 105,000 employees in more than 130 countries and produces almost 3 million barrels of oil equivalent per day. TotalEnergies produces and markets a range of energy sources, including oil and biofuels, natural and green gases, renewables and electricity.

Industry Chemicals



Linde (Ireland)

% of Net Assets 3.1%

Linde specialises in industrial gases and engineering, and aims to maximise gas plant efficiency and productivity. It also offers technologies to enhance components used for aerospace energy and industrial applications. With roots dating back to 1879, Linde has a history of technological innovation and has made hydrogen a cornerstone of its clean energy strategy.

Portfolio Listing

as at 31 December 2021

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

	Asset Exposure £'000	% ¹	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Nestlé			
Food Producers	107,178	7.3	107,178
ASML			
Technology Hardware & Equipment	86,827	5.9	86,827
Roche			
Pharmaceuticals & Biotechnology	79,178	5.4	79,178
LVMH Moët Hennessy			
Personal Goods	78,679	5.3	78,679
L'Oréal			
Personal Goods	58,598	4.0	58,598
Novo Nordisk			
Pharmaceuticals & Biotechnology	55,591	3.8	55,591
EssilorLuxottica			
Medical Equipment & Services	53,140	3.6	53,140
Sanofi (long CFD)			
Pharmaceuticals & Biotechnology	47,742	3.2	1,148
TotalEnergies			
Oil, Gas & Coal	46,189	3.1	46,189
Linde (long CFD)			
Chemicals	45,989	3.1	1,470
Ten largest long exposures	659,111	44.7	567,998
Other long exposures			
Deutsche Börse Group	44,847	3.0	44,847
SAP	44,617	3.0	44,617
Enel	43,609	3.0	43,609
Legrand (long CFD)	43,110	2.9	442
3i Group	41,795	2.8	41,795
Swedish Match	37,867	2.6	37,867
Partners Group	37,061	2.5	37,061
Hermes International	36,996	2.5	36,996
Sika	33,533	2.3	33,533
Dassault Systèmes	33,144	2.2	33,144
Symrise	32,623	2.2	32,623
Zurich Insurance Group	30,532	2.1	30,532
DKSH Holding	28,557	1.9	28,557
Schindler Holding	28,353	1.9	28,353

	Asset Exposure		Fair Value
	£'000	% ¹	£'000
Kone	26,315	1.8	26,315
Telenor	25,442	1.7	25,442
KBC Group	24,301	1.6	24,301
Assa Abloy	24,094	1.6	24,094
Sampo	23,012	1.6	23,012
Intertek Group	22,679	1.5	22,679
DNB	22,654	1.5	22,654
Intesa Sanpaolo	22,048	1.5	22,048
EQT	21,738	1.5	21,738
MTU Aero Engines	21,428	1.5	21,428
SIG Combibloc Group	18,329	1.3	18,329
Amadeus IT Group	18,288	1.3	18,288
Bankinter	16,149	1.1	16,149
Prosus	15,203	1.0	15,203
Edenred	14,419	1.0	14,419
Atlantia	14,162	1.0	14,162
Société des Bains de Mer de Monaco	13,408	0.9	13,408
ABN AMRO Bank	12,458	0.8	12,458
Fielmann	9,992	0.7	9,992
Sodexo	9,952	0.7	9,952
Grifols	9,744	0.7	9,744
Chr. Hansen	8,591	0.6	8,591
Umicore	7,458	0.5	7,458
Linea Directa Aseguradora	7,219	0.5	7,219
Total long exposures before long futures	1,584,838	107.5	1,451,057
Long Futures			
Euro Stoxx 50 Future March 2022	53,348	3.6	950
Gross Asset Exposure²	1,638,186	111.1	
Portfolio Fair Value³			1,452,007
Net current assets (excluding derivative assets)			22,226
Shareholders Funds (per Balance Sheet)			1,474,233

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

2 Gross Asset Exposure comprises market exposure to investments of £1,447,997,000 (per Note 10: Investments on page 66) plus market exposure to derivative instruments of £190,189,000 (per Note 11: Derivative instruments on page 67).

3 Portfolio Fair Value comprises investments of £1,447,997,000 plus derivative assets of £4,010,000 (per the Balance Sheet on page 58).

Distribution of the Portfolio

as at 31 December 2021

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

	France	Switzerland	Germany	Netherlands	Sweden	Italy	Denmark	UK	Spain	Finland	Other	Total 2021 ¹	Index 2021 ²	Total 2020 ^{1,3}
Financials														
Investment Banking & Brokerage Services	-	2.6	3.1	-	1.5	-	-	2.9	-	-	-	10.1	3.7	9.9
Banks	-	-	-	0.9	-	1.5	-	-	1.2	-	3.2	6.8	7.1	6.2
Non-Life Insurance	-	2.2	-	-	-	-	-	-	0.6	1.7	-	4.5	4.4	3.9
Life Insurance	-	-	-	-	-	-	-	-	-	-	-	-	0.7	-
	-	4.8	3.1	0.9	1.5	1.5	-	2.9	1.8	1.7	3.2	21.4	15.9	20.0
Industrials														
Industrial Support Services	1.0	2.0	-	-	-	-	-	1.6	-	-	-	4.6	2.1	4.1
Construction & Materials	-	2.4	-	-	1.7	-	-	-	-	-	-	4.1	3.8	2.0
Industrial Engineering	-	2.0	-	-	-	-	-	-	-	1.9	-	3.9	2.9	3.7
Electronic & Electrical Equipment	3.0	-	-	-	-	-	-	-	-	-	-	3.0	2.9	3.1
Aerospace & Defense	-	-	1.5	-	-	-	-	-	-	-	-	1.5	1.6	1.4
General Industrials	-	1.3	-	-	-	-	-	-	-	-	-	1.3	1.8	1.1
Industrial Transportation	-	-	-	-	-	1.1	-	-	-	-	-	1.1	3.0	0.8
	4.0	7.7	1.5	-	1.7	1.1	-	1.6	-	1.9	-	19.5	18.1	16.2
Health Care														
Pharmaceuticals & Biotechnology	3.4	5.4	-	-	-	-	4.5	-	0.7	-	-	14.0	11.5	14.8
Medical Equipment & Services	3.6	-	-	-	-	-	-	-	-	-	-	3.6	3.8	4.9
Health Care Providers	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-
	7.0	5.4	-	-	-	-	4.5	-	0.7	-	-	17.6	15.7	19.7
Consumer Discretionary														
Personal Goods	12.0	-	-	-	-	-	-	-	-	-	-	12.0	6.8	10.9
Travel & Leisure	1.8	-	-	-	-	-	-	-	-	-	-	1.8	0.5	3.5
Retailers	-	-	0.8	-	-	-	-	-	-	-	-	0.8	0.8	1.1
Automobiles & Parts	-	-	-	-	-	-	-	-	-	-	-	-	3.5	-
Media	-	-	-	-	-	-	-	-	-	-	-	-	1.0	-
Household Goods & Home Construction	-	-	-	-	-	-	-	-	-	-	-	-	0.5	-
Consumer Services	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-
Leisure Goods	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
	13.8	-	0.8	-	-	-	-	-	-	-	-	14.6	13.5	15.5
Technology														
Software & Computer Services	2.3	-	3.1	1.0	-	-	-	-	1.4	-	-	7.8	4.8	9.0
Technology Hardware & Equipment	-	-	-	6.0	-	-	-	-	-	-	-	6.0	5.0	5.0
	2.3	-	3.1	7.0	-	-	-	-	1.4	-	-	13.8	9.8	14.0

	France	Switzerland	Germany	Netherlands	Sweden	Italy	Denmark	UK	Spain	Finland	Other	Total 2021 ¹	Index 2021 ²	Total 2020 ^{1,3}
Consumer Staples														
Food Producers	-	7.4	-	-	-	-	-	-	-	-	-	7.4	6.0	7.0
Tobacco	-	-	-	-	2.7	-	-	-	-	-	-	2.7	0.2	2.8
Beverages	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-
Personal Care, Drug & Grocery Stores	-	-	-	-	-	-	-	-	-	-	-	-	1.2	-
	-	7.4	-	-	2.7	-	-	-	-	-	-	10.1	9.3	9.8
Basic Materials														
Chemicals	-	-	5.4	-	-	-	-	-	-	-	0.6	6.0	3.7	5.5
Industrial Materials	-	-	-	-	-	-	-	-	-	-	-	-	0.5	-
Industrial Metals & Mining	-	-	-	-	-	-	-	-	-	-	-	-	0.7	0.8
	-	-	5.4	-	-	-	-	-	-	-	0.6	6.0	4.9	6.3
Energy														
Oil, Gas & Coal	3.2	-	-	-	-	-	-	-	-	-	-	3.2	3.1	3.2
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	0.6	-
	3.2	-	-	-	-	-	-	-	-	-	-	3.2	3.7	3.2
Utilities														
Electricity	-	-	-	-	-	3.1	-	-	-	-	-	3.1	2.8	4.5
Gas, Water & Multi-Utilities	-	-	-	-	-	-	-	-	-	-	-	-	1.4	-
	-	-	-	-	-	3.1	-	-	-	-	-	3.1	4.2	4.5
Telecommunications														
Telecommunications Service Providers	-	-	-	-	-	-	-	-	-	-	1.8	1.8	2.6	2.6
Telecommunications Equipment	-	-	-	-	-	-	-	-	-	-	-	-	0.8	-
	-	-	-	-	-	-	-	-	-	-	1.8	1.8	3.4	2.6
Real Estate														
Real Estate Investment & Services	-	-	-	-	-	-	-	-	-	-	-	-	1.1	-
Real Estate Investment Trusts	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-
	-	-	-	-	-	-	-	-	-	-	-	-	1.5	-
Asset Exposure - 2021	30.3	25.3	13.9	7.9	5.9	5.7	4.5	4.5	3.9	3.6	5.6	111.1		
Index - 2021	21.8	19.9	17.5	9.4	8.0	5.2	5.1	-	4.6	2.3	6.2		100.0	
Asset Exposure - 2020	29.7	25.0	17.4	7.6	3.9	5.9	4.2	3.7	4.2	3.2	7.0			111.8

1 Asset Exposure is expressed as a percentage of Shareholders' Funds.
 2 FTSE World Europe (ex UK) Index.
 3 Reallocated in line with the adoption of the new Industry Classification Benchmark framework by FTSE Indexes.

Attribution Analysis

Analysis of change in NAV total return for the year ended 31 December 2021

%

Impact of:

Index	+24.5
Exchange Rate	-7.1
Gearing	+3.1
Stock Selection	+3.8
Expenses	-0.9
Cash	+0.1

NAV total return for the year ended 31 December 2021

+23.5

Ten Highest Contributors to NAV total return

%

ASML	+1.2
EQT	+0.8
Novo Nordisk	+0.8
Linde	+0.8
Hermes International	+0.7
Partners Group	+0.7
EssilorLuxottica	+0.6
Legrand	+0.6
LVMH Moët Hennessy	+0.5
Novartis	+0.5

Ten Highest Detractors to NAV total return

%

Enel	-1.1
Grifols	-0.7
MTU Aero Engines	-0.5
Deutsche Börse Group	-0.5
Telenor	-0.5
Prosus	-0.4
Schindler Holding	-0.4
Kone	-0.3
Edenred	-0.3
Fielmann	-0.3

Source: Fidelity.

Ten Year Record

For the year ended 31 December	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets										
Gross Asset Exposure (£m) ¹	1,638.2	1,364.3	1,221.6	1,052.1	1,166.0	901.5	781.7	761.2	741.9	684.9
Shareholders' Funds (£m)	1,474.2	1,220.3	1,140.6	955.3	1,030.0	875.4	760.3	725.0	711.2	616.3
NAV per Ordinary Share (p) ^{2,3}	358.68	296.57	277.19	231.77	248.08	210.75	182.57	174.09	168.58	142.90
Ordinary Share Price and Discount										
Ordinary Share Price (p) ²	340.50	286.00	260.00	207.00	226.70	183.50	174.00	162.50	152.50	128.70
Discount to NAV (%) ³	5.1	3.6	6.2	10.7	8.6	12.9	4.7	6.7	9.5	9.9
Revenue and Costs										
Revenue return per Ordinary Share (p) ^{2,3}	7.50	5.12	7.00	6.94	4.37	4.34	3.37	3.67	2.98	2.78
Dividends per Ordinary Share (p) ²	6.83	6.50	6.47	6.28 ⁴	4.35	4.17	3.33	3.64 ⁵	2.98	2.78
Ongoing Charges (Cost of running the Company) ³	0.79	0.86	0.87	0.88	0.93	0.99	0.94	0.97	0.96	0.98
Gearing										
Gross Gearing (%) ^{3,6}	11.1	11.8	7.1	10.1	13.2	3.0	2.8	5.0	4.3	11.1
Net Gearing (%) ^{3,7}	11.1	9.4	4.7	6.1	3.6	3.0	2.8	5.0	4.3	11.1
Performance Total Returns										
NAV per Ordinary Share (%) ³	+23.5	+9.7	+23.8	-4.8	+20.0	+17.6	+6.9	+5.1	+20.0	+24.7
Ordinary Share Price (%) ³	+21.7	+13.1	+30.6	-6.8	+26.2	+7.6	+9.2	+8.7	+20.8	+31.3
Benchmark Index (%)	+17.4	+8.6	+20.4	-9.5	+17.5	+19.7	+5.3	+0.2	+25.2	+17.8

1 The value of the portfolio exposed to market price movements.

2 Figures prior to 2014 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014.

3 Alternative Performance Measures.

4 Includes 1.79 pence from the additional revenue generated from the change in the allocation of management fees and finance costs.

5 Includes a special dividend of 0.54 pence.

6 Gross Asset Exposure in excess of Shareholders' Funds.

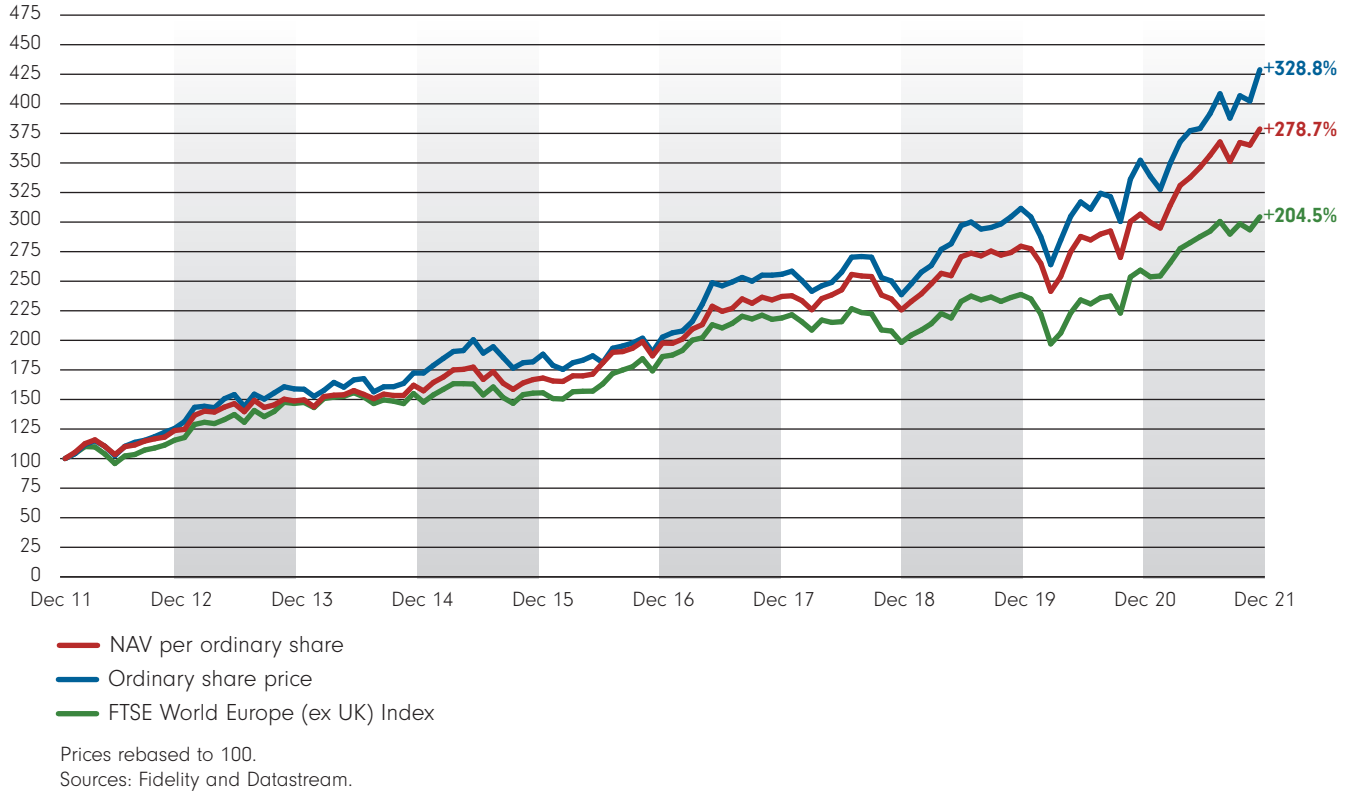
7 Net Market Exposure in excess of Shareholders' Funds.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Summary of Performance Charts

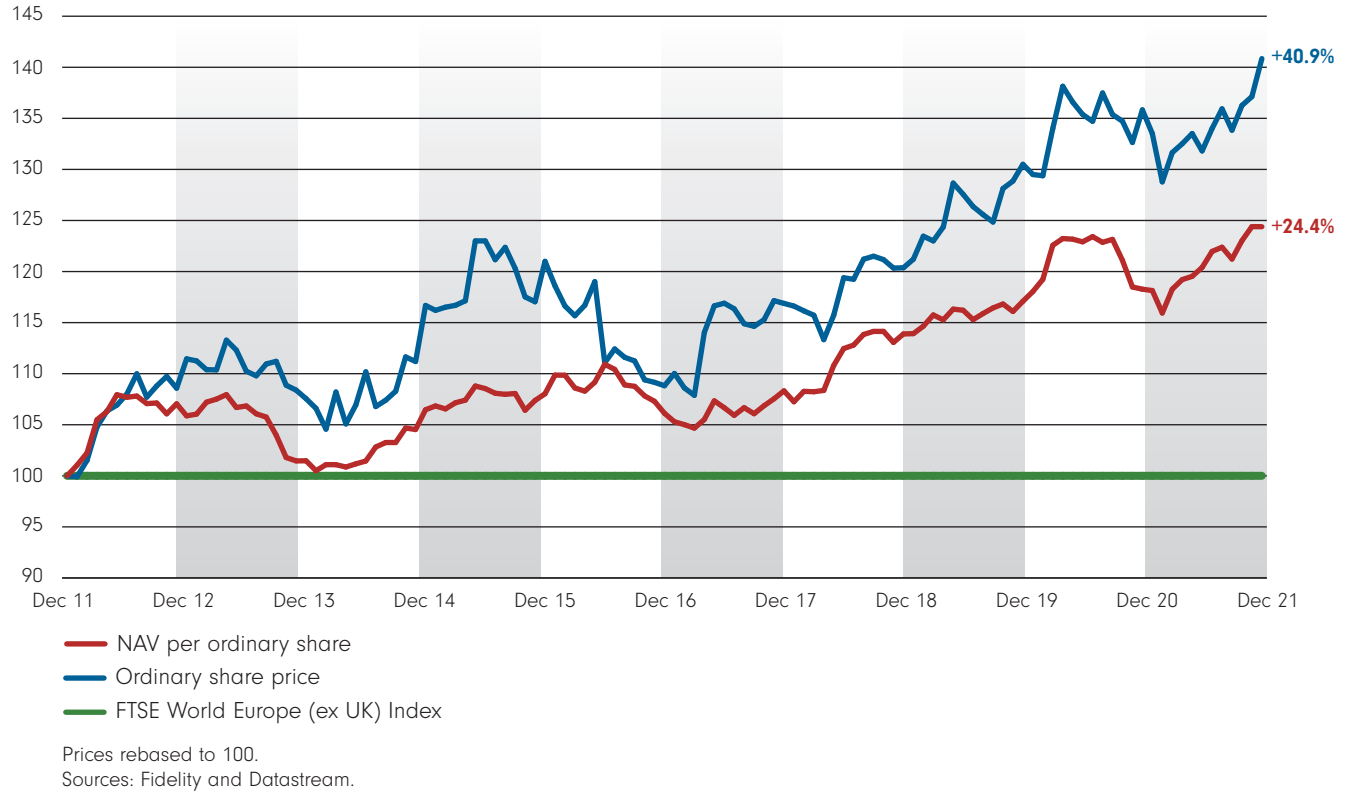
Total return performance for ten years to 31 December 2021



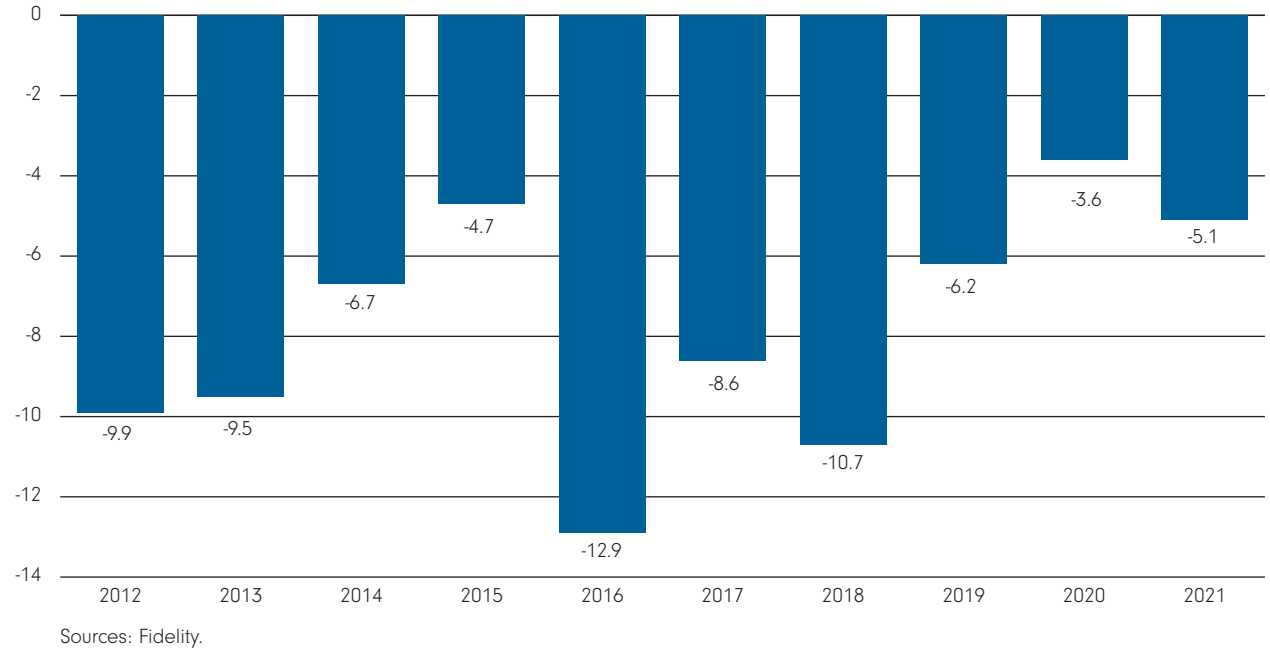
NAV and ordinary share price for ten years to 31 December 2021



Total return performance relative to the Benchmark Index for ten years to 31 December 2021



Discount to NAV for the ten years to 31 December 2021 (%)



Strategic Report

INVESTMENT APPROACH

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Managers' Review on pages 2 to 11 also form part of the Strategic Report.

Business and Status

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

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

Objective

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

Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of investments, consisting primarily of continental European equities. As an investment company, it is able to gear the portfolio and the Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

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

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2021.

Investment Management Philosophy, Style and Process

The Portfolio Managers' three principles for investing in equities are:

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

The Portfolio Managers' key focus is on identifying attractively valued companies which show good long term structural growth prospects

and which they believe can grow their dividends over the next few years, as they believe these are likely to outperform over time.

In order to identify these companies, the Portfolio Managers look for the following main characteristics:

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

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

Investment Policy

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

Investment restrictions

- A minimum of 80 per cent of gross assets will be invested in companies from countries which are included in the Benchmark Index (the FTSE World Europe (ex UK) Index).
- A maximum of:
 - a) 20 per cent of gross assets may be invested in stocks of European countries* which are not included in the Company's Benchmark Index. This will include investing in UK companies, defined as companies in the FTSE All-Share Index; and
 - b) 5 per cent of gross assets may be invested in stocks of non-European countries where those stocks have some exposure to, or connection with Europe. Any investments in this category will count towards the 20 per cent maximum limit in paragraph (a) above.

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

- A maximum of 10 per cent of the Company's gross assets may be invested in the aggregate of:
 - a) securities not listed on a recognised stock exchange; and
 - b) holdings in which the interest of the Company amounts to 20 per cent or more of the equity capital of any listed company.
- The Company will not invest more than 10 per cent of gross assets in any one quoted company at the time of acquisition.
- A maximum of 5 per cent of the Company's gross assets may be held in unquoted securities in aggregate at any one time.
- The maximum amount of cash or cash equivalents held by the Company will be 25 per cent of the Company's total net assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on derivatives. In practice the cash position will normally be much lower.
- The Board reserves the right to lend stock and/or assets of up to 10 per cent of the Company's total net assets.
- The Board reserves the right to hedge the portfolio by way of currency.
- A maximum of 10 per cent of the Company's gross assets may be invested in the securities of other investment companies (including listed investment trusts).

Derivative instruments

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

- As an alternative form of gearing to bank loans. The Company would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs.
- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost.
- To enhance the investment returns by taking short exposures on stocks that the Investment Manager considers to be over-valued.
- To enhance returns through writing covered call options and writing put options.

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

- The aggregate exposure of the Company to equities, including as a result of borrowing and the use of derivatives, but excluding hedging, will not exceed 130 per cent of total net assets (a gearing level of 30 per cent) at the time at

which any derivative contract is entered into or a security acquired.

- The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10 per cent of total net assets at the time at which any derivative contract is entered into.
- The aggregate exposure of the Company under covered call options, being the notional exposure of the calls, will not exceed 20 per cent of total net assets at the time at which any derivative is entered into. The notional exposure of covered call options is the number of contracts written x the notional contract size x the market value of the underlying share price.

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

Gearing

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

Performance

The Company's performance for the year ended 31 December 2021, including a summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Managers' Review on pages 2 to 11. The Portfolio Listing, the Distribution of the Portfolio, the Attribution Analysis, the Ten Year Record and the Summary of Performance Charts are set out on pages 14 to 21.

Results and Dividends

The Company's results for the year ended 31 December 2021 are set out in the Income Statement on page 56. The revenue return was 7.50 pence and the capital return was 61.15 pence, giving a total return of 68.65 pence per ordinary share.

Under Section 1159 of the Corporation Tax Act 2010, the Company is not able to retain more than 15% of its net income in any reporting year to continue to qualify as an investment company. The Directors recommend a final dividend of 4.18 pence per share for the year ended 31 December 2021 to be paid on 17 May 2022 to shareholders who appear on the register as at the close of business on 1 April 2022 (ex-dividend date 31 March 2022). Together with the interim dividend of 2.65 pence per share paid on 29 October 2021, the total dividends for the year are 6.83 pence per share.

Strategic Report continued

Key Performance Indicators

The Board's intention is for the NAV and share price to outperform the Benchmark Index and that the discount should be maintained in single digits in normal market conditions. It regularly considers the costs of running the Company to ensure they are reasonable and competitive. The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out in the table below.

	Year ended 31 December 2021 %	Year ended 31 December 2020 %
NAV per Ordinary Share total return ¹	+23.5	+9.7
Ordinary Share Price total return ¹	+21.7	+13.1
FTSE World Europe (ex UK) Index total return (Benchmark Index)	+17.4	+8.6
Discount to NAV ¹	5.1	3.6
Ongoing Charges ¹	0.79	0.86

¹ Alternative Performance Measures.

Sources: Fidelity and Datastream.

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

RISK FRAMEWORK

Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Audit Committee continues to identify any new emerging risks and take any action necessary to mitigate their

potential impact. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve the Company's strategic objectives.

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

A key emerging risk that the Board has identified is climate change. It is one of the most critical emerging issues confronting asset managers and their investors. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 30 to 33. The Board will continue to monitor this.

The Board considers the following as the principal risks and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
<p>Market Risk</p>	<p>The Company's assets consist mainly of listed securities. The principal risks are therefore market related such as market downturns, interest rate movements, deflation/inflation and exchange rate movements. The Portfolio Managers' success or failure to protect and increase the Company's assets against this background is core to the Company's continued success.</p> <p>Inflation has continued to trend higher across most economies, driven by a combination of increased demand, as the pandemic restrictions were lifted, and global labour shortages in some sectors and supply chain shortages. Inflationary pressures may last longer than central banks or governments may like. However, the Portfolio Managers' investment philosophy of stock-picking and investing in attractively valued dividend growers with strong balance sheets should outperform the Benchmark Index over time.</p> <p>COVID continues to be a global pandemic with the potential for severe market and economic impacts. The risk of the likely effects of the ongoing pandemic on the markets 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.</p> <p>Risks to which the Company is exposed in the market risk category are included in Note 17 to the Financial Statements on pages 69 to 75 together with summaries of the policies for managing these risks.</p>
<p>Economic and Political Risks</p>	<p>Increased geo-political risks, such as the crisis between Russia and the Ukraine and continuing potential tensions over the Northern Ireland Protocol, may impact the Company. The Company and its assets may be impacted by economic and political risks, in particular concerns over global economic growth. There is a great deal of uncertainty due to the Ukrainian crisis. This has already affected energy and commodity markets and may cause further negative impacts on the global economy. The combination of increased energy prices, coupled with labour shortages, may increase inflation risks further as already mentioned above. In addition, potential risks remain in respect of the new relationship between the European Union ("EU") and the UK. This includes potential adverse impacts stemming from major challenges agreeing how the Northern Ireland Protocol should be implemented in practice, and potential spillover repercussions were the UK to use Article 16 of the Protocol to introduce unilateral safeguard measures, attributing those to serious economic and societal difficulties.</p> <p>The Board reviews market, economic and political risks and legislative changes at each Board meeting. The Company has no direct investments in Russia and the Ukraine. The Chairman's Statement and the Portfolio Managers' Review on pages 2 to 11 provide more detail.</p>
<p>Discount Control Risk</p>	<p>Due to the nature of investment companies, the price of the Company's shares and its discount to NAV are factors which are not totally within the Company's 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 and within the parameters set by the Board. The demand for shares can be influenced through good performance and an active investor relations program.</p> <p>The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.</p>
<p>Operational Risk from Cybercrime</p>	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity International's ("Fidelity") 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.</p> <p>Risks are increased due to the COVID pandemic, 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. The Company's third party service providers also have similar measures in place.</p>

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Investment Performance Risk	<p>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 Benchmark Index and/or peer group companies. The Board reviews the performance of the asset value of the Company's portfolio against its Benchmark Index and its competitors and also considers the outlook for the market with the Portfolio Managers at each Board meeting. The Portfolio Managers are responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term performance as there is a risk for the Company of performance volatility in the shorter term.</p> <p>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 page 73. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board.</p> <p>The Company gears through the use of long CFDs and index futures which provide greater flexibility and are currently cheaper than bank loans. The principal risk is that the Portfolio Managers fail to use gearing effectively, resulting in a failure to outperform in a rising market or to underperform in a falling market. The Board considers the level of gearing and gearing risk on a regular basis and sets limits within which the Manager must operate.</p>
Key Person Risk	<p>There is a risk that the Manager has an inadequate succession plan for key individuals. The loss of the Lead Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans, particularly for portfolio managers. Fidelity has succession plans in place for portfolio managers and these are discussed with the Board. The Company has a Co-Portfolio Manager who works alongside the Lead Portfolio Manager. He has extensive experience in European companies and shares a common investment approach and complementary investment experience with the Lead Portfolio Manager. This helps strengthen the investment process by introducing greater challenge and also increases the ability to be able to meet more companies.</p>
Environmental, Social and Governance ("ESG") Risk	<p>There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate change risk. Fidelity has embedded ESG factors in its investment decision making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities based on sector-specific key performance indicators across 127 individual and unique sub-sectors. The Portfolio Managers are also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor the developments in this area and reviews the positioning of the portfolio considering ESG factors.</p> <p>Further detail on ESG considerations in the investment process and sustainable investing is on pages 30 to 33.</p>

Principal Risks	Description and Risk Mitigation
<p>Operational Resilience Risk</p>	<p>With variants of COVID-19 continuing to evolve, it is evident that although the pandemic is being tackled by 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. The Manager 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. There have not been any significant changes to Fidelity's control environment as a result of COVID and this has also been confirmed in the AAF Internal Controls report issued to Fidelity by PricewaterhouseCoopers LLP. Further to this, the Manager has provided the Board with assurance that the Company has appropriate business continuity plans in place 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, have continued to perform 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 that there was no business disruption and that they continue to manage their operational risk and have appropriate business continuity plans in place.</p>

Other risks facing the Company include:

Tax and Regulatory Risks

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

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

There is a risk that outstanding withholding tax reclaims may not be recoverable from some jurisdictions and may need to be written-off. The Manager's tax team works closely with the Custodian to keep these under review and the Board is kept updated on the recoverability of the withholding tax reclaims.

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

Other Operational Risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns are investigated. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

Continuation Vote

A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company's NAV and share price is poor. At the AGM held on 11 May 2021, 99.99% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the Company's AGM in 2023.

Viability Statement

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

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

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's level of gearing;
- The Company's NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company's shares;

Strategic Report continued

- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been strong for the five year reporting period to 31 December 2021, with a NAV total return of 91.6% and a share price total return of 111.6% compared to a Benchmark Index total return of 64.5%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The fact that the portfolio mainly comprises 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.

In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the climate change risk identified within the ESG Risk on page 26.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 35.

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, depositary 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 interests of these stakeholders are aligned with the Company's objective of delivering long term capital growth to investors, in line with the Company's stated investment objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Managers, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on pages 22 and 23.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and the Lead Portfolio Manager to present to the shareholders on the Company's performance and future plans and the Board encourages all shareholders to attend in person or virtually, and raise questions and concerns. The Chairman and other Board members are available to meet shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Company's registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary in writing at the same address or by email at investmenttrusts@fil.com. The Portfolio Managers meet with major shareholders, potential investors, stock market analysts, journalists and other commentators during the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long term.

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

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance ("ESG") issues aligns with the objective to deliver long term capital growth, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out in detail on pages 30 to 33.

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

- as part of ongoing Board succession, the appointment and induction of Milyae Park to the Board with effect from 1 January 2022;
- the decision to pay an interim dividend of 2.65 pence per share and a final dividend of 4.18 pence per share (a total of 6.83 pence per share), to maintain the Board's policy to pay progressive dividends in normal circumstances. The Company has paid an increased dividend for 11 years in a row;
- agreeing a reduction in the management fee with effect from 1 April 2021, providing cost savings to the Company and reducing the Ongoing Charges to help the Company remain competitive. Details of the new fee arrangement can be found in the Chairman's Statement on page 3; and
- authorising the repurchase of 450,000 ordinary shares into Treasury in August 2021 when the Company's discount widened.

Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background. The Board's intention will always be to appoint the best person and there will be no discrimination on the grounds of gender, social and ethnic background. In terms of gender diversity, there were two female and three male Directors on the Board as at 31 December 2021. The Board's composition exceeds the target of 33% of women on FTSE 350 company Boards set by the Hampton-Alexander Review. This is the review body which aims to increase the number of women on FTSE 350 boards. As part of the Board's succession plan, Milyae Park was appointed on the Board with effect from 1 January 2022. From that date, the Board will meet the recommendations of the Parker Review Committee for each FTSE 250 company to have at least one director from an ethnic background by 2024 so as to improve the ethnic and cultural diversity of UK company boards.

Board Apprentice Scheme

Due to restrictions as a result of COVID, the Board Apprentice appointed under the Board Apprentice Scheme (the "Scheme") in November 2020 was not able to have the proper opportunity to observe the workings of the Board and its Committees as face to face meetings could not take place for much of her appointed year. The Board has therefore extended her time as a Board Apprentice until July 2022. The objective of the Scheme is to increase diversity on boards. The Board Apprentice does not receive a fee but it is intended that the experience gained will assist her ambition to become a non-executive director elsewhere at a point in the future.

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

The Board has contracted with the Manager to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an important input into the assessment of the value of its investments.

The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. The Fidelity group of companies (including the Manager and Investment Manager) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at www.fidelity.co.uk/responsible-investing. Further information on Fidelity International's approach to ESG in the investment process and sustainable investing can be found on pages 30 to 33 and are part of this Strategic Report.

Socially Responsible Investment

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

Corporate Engagement

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

Streamlined Energy and Carbon Reporting (SECR)

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

FUTURE DEVELOPMENTS

Some trends likely to affect the Company in the future are common to many investment companies, together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and position are set out in the Chairman's Statement and the Portfolio Managers' Review on pages 2 to 11.

By Order of the Board

FIL Investments International

Secretary

17 March 2022

ESG in the Investment Process

Fidelity International (“Fidelity”) has embedded Environmental, Social and Governance (“ESG”) factors in its investment decision making for a number of years. Fidelity has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

ESG integration at Fidelity is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company’s ESG risks and opportunities, based on sector specific key performance indicators across 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity’s own proprietary ratings is on page 11. In addition, Fidelity’s portfolio managers are also active in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

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

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

In addition to Fidelity’s Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero, or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings, which score companies across a range of environmental, social and governance criteria.

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

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

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

During 2021, Fidelity introduced its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity’s voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

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

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

- Corporate governance (e.g. Board structure, executive remuneration)
- Shareholder rights (e.g. election of directors, capital amendments)

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

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

*<https://eumultisitev4prod-live-eb461540d2184169bb77db2b062d9318-f268f99.s3-eu-west-1.amazonaws.com/PI%20UK/pdf/modern-slavery-human-trafficking-statement.pdf>

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

The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

Fidelity International - Setting standards for its business

Sustainability built from the ground up

We apply the same KPIs to our own business that we use for the companies in which we invest. And we expect to improve upon our own ESG standards, just as we would expect from others.



ESG and Sustainable Investing at Fidelity

Fidelity's core beliefs set it apart

01



Long term approach to fundamental analysis

We believe that the market can be inefficient at valuing companies in the long term. Our firm, research process and compensation structure are designed to promote long term thinking.



Engagement and Sustainability

We believe that the assessment of sustainability is part of fundamental investing, and our analytical process drives better returns for clients. Our corporate access enables genuine engagement with corporates to foster change.



Global coverage, local expertise

A true understanding of a company requires a global team of locally-based analysts that can fully analyse the entire value chain.



Collaboration

Our investment team works together across industries, geographies and asset classes to leverage each other's insights.



Constant evolution

Delivering outstanding results for clients requires us to constantly evolve our research and technology to deliver excellence.

Fidelity's Sustainable Investing Approach


02




Engagement

Using our corporate access, research capabilities and investment scale to improve corporate behaviour


03



Our fundamental research process allows us to identify material climate-related risks and opportunities




Our access to senior management gives us the opportunity to engage directly with decision-makers



We engage over the long term and target meaningful carbon emission reduction and net zero characteristics, which we expect to lead to improved financial and non-financial outcomes

Company management



Engagements targeting highest emitters and climate laggards for emissions reduction targets and net zero strategies

Research analyst
Sustainable investing analyst
Portfolio manager

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

04

Components of Fidelity's Net Zero Investment Strategy

Moving towards cleaner portfolios

Climate-focused investment process*

- Governance
- Targets and objectives
- Asset allocation
- Asset class alignment
- Stewardship



Source: Fidelity International. * Aligned with IIGCC



Client requirements

- Return objectives
- Risk appetite
- Organisation-specific restrictions
- Alignment with environmental values

Proprietary quantitative & qualitative analysis

- ESG ratings v2
- Net zero issuer assessments (Climate Rating)
- Engagement
- Voting policy
- Industry/government collaboration

05

Companies are rated across three core areas, each with underlying factors

Net zero ambitions	
Current emissions	Emissions targets
Emissions target credibility	Sector-specific criteria
Climate governance	
Climate lobbying	Accounts & audit
Capital allocation	
Transitioning business models	Climate solutions



06

Climate assessment scale

Integration of the assessment within our broader climate change strategy

Achieving or enabling net zero	Aligning to a net zero path	High transition potential to net zero	Low transition potential to net zero	No evidence of transition potential to net zero
Issuers already have current emissions intensity performance at, or close to, net zero emissions or issuers are critical enablers to the transition to net zero through the products they provide	Issuers have committed to robust targets in line with a net zero emissions trajectory with an appropriate governance and investment plan to achieve that goal	Issuers have demonstrated a commitment towards achieving net zero and are proposing or implementing credible plans to achieve this goal	Issuers demonstrate some level of climate awareness but fall short of credible commitments to achieve carbon reduction objectives	Issuers show no indication or willingness to align emissions and business model to a global net zero world
Eligible to a Net Zero portfolio	Eligible to a Net Zero portfolio	Continued investment and engagement/voting	Continued investment and engagement/voting	No additional purchases and ultimately divestment

Board of Directors



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

M

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



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

A M

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



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

A M

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



Paul Yates
Director
Appointed 6 March 2017

A M

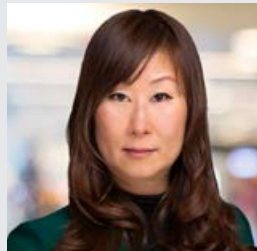
Paul Yates is Chairman of the Advisory Board of 33 St James's Limited and is a non-executive Director of Witan Investment Trust plc and Capital Gearing Trust P.l.c. He was previously a non-executive Director of Aberdeen Diversified Income and Growth Trust plc and The Merchants Trust plc. He has an extensive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



Sir Ivan Rogers
Director
Appointed 1 January 2020

A M

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



Milyae Park
Director
Appointed 1 January 2022

A M

Milyae Park is a non-executive Director of the Museum of London and chairs the Museum of London (Trading) Ltd Board, which governs the Museum's commercial activities. She began her career as a Chartered Accountant in the US for PriceWaterhouseCoopers LLP and subsequently held roles in investment banking at Goldman Sachs, consulting at Accenture, and retail at Tesco PLC and Marks & Spencer PLC. She also holds an MBA from The Wharton School.

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

Committee membership key

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

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 December 2021.

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

Management Company

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

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

FIL Limited has no beneficial interest in the shares of the Company (2020: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 41.

Management Fee

The Company adopted a new management fee arrangement with effect from 1 April 2021. The fee remains on a tiered basis and the annual rate of 0.85 per cent on the first £400 million of the Company's net assets remains unchanged. The previous annual rate of 0.75 per cent on net assets in excess of £400 million reduced to 0.65 per cent. There is no change to the investment process as a result of the revised fee.

Fees for the reporting year were £9,751,000 (2020: £8,899,000) and are disclosed in Note 4 on page 62.

The Board

All Directors served on the Board throughout the year ended 31 December 2021 and up to the date of this report with the exception of Milyae Park who was appointed to the Board on 1 January 2022. A brief description of all serving Directors as at the date of this Annual Report is shown on page 34 and indicates their qualifications for Board membership.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

The 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 March 2023 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 as set out in the Operational Resilience Risk in the Strategic Report on page 27. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 27 and 28.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 10 May 2022.

Disclosure of Information to the Company's Auditor

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

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

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 39 to 42.

Registrar, Custodian and Depository Arrangements

The Company has appointed Link Group as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depository, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 63.

Directors' Report continued

Share Capital

The Company's share capital comprises ordinary shares of 2.5 pence each which are fully listed on the London Stock Exchange. As at 31 December 2021, the issued share capital of the Company was 416,447,910 ordinary shares (2020: 416,447,910) of which 5,431,861 shares (2020: 4,981,861) are held in Treasury. Shares in Treasury do not have voting rights and therefore the total number of shares with voting rights was 411,016,049 (2020: 411,466,049).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time. Details of the Board's discount management policy can be found in the Chairman's Statement on page 4.

Share Issues

No ordinary shares were issued in the year to 31 December 2021 (2020: nil) and none have been issued since the year end and as at the date of this Annual Report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 10 May 2022 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases

The Company repurchased 450,000 into Treasury during the year ended 31 December 2021 (2020: nil). Since then and as at the date of this Annual Report, no further shares have been repurchased into Treasury or for cancellation.

The authority to repurchase ordinary shares expires at the AGM on 10 May 2022 and a resolution to renew the authority to repurchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests

As at 31 December 2021 and 28 February 2022, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

	31 December 2021 %	28 February 2022 %
Shareholders		
Fidelity Platform Investors	15.73	15.65
Allspring Global Investments	8.87	8.64
Brewin Dolphin	7.81	7.80
Quilter Cheviot Investment Management	6.96	7.00
Rathbones	5.78	5.73
Hargreaves Lansdown	4.72	4.76
Interactive Investor	4.27	4.33
Smith & Williamson Wealth Management	3.90	4.06

An analysis of shareholders as at 31 December 2021 is detailed in the table below.

Shareholders	% of voting share capital
Private Investors ¹	76.36
Mutual Funds	15.85
Insurance Funds	3.08
Pension Funds	2.55
Hedge Funds	2.05
Trading	0.11
Total	100.00

¹ Includes Fidelity Platform Investors (15.73%).

Additional Information required in the Directors' Report

Information on proposed dividends, financial instruments and disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 22 to 29.

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

The AGM of the Company will be held at **12 noon on Tuesday, 10 May 2022** at Fidelity's offices at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 80 to 83.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Sam Morse, the Lead Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He, the Co-Portfolio Manager and the Board will be very happy to answer any questions that shareholders may have. Copies of his presentation can be requested by email at investmenttrusts@fil.com or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 82 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Managers and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's [website www.fidelity.co.uk/europe](http://www.fidelity.co.uk/europe). On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the [website https://web.lumiagm.com](https://web.lumiagm.com).

We urge shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **164-099-858**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

Fidelity Platform Investors – Voting at AGMs

If you hold your shares in the Company through the Fidelity Platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. Fidelity Platform Investors are advised to vote online via the Broadridge Service (a company that specialises in investor voting facilities). Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting

Link Group, the Registrar, introduced a paperless proxy voting process in 2018. However, for ease of voting this year, we are sending a paper Proxy Form to all shareholders who hold shares on the main share register. This will assist shareholders to vote in advance of the meeting should they decide not to attend in person.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 10 May 2022, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 80 and 81, including the items of special business summarised below.

Authority to Allot Shares

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £520,560. If passed, this resolution will enable the Directors to allot a maximum of 20,822,395 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 17 March 2022, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-emption Rights

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £520,560 (including Treasury shares) (approximately 5% of the issued ordinary share capital of the Company as at 17 March 2022 and equivalent to 20,822,395 ordinary shares).

Authority to Repurchase Shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (61,611,305) of the ordinary shares in issue (excluding Treasury shares) on 17 March 2022, either for immediate cancellation or for retention as Treasury shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in

Directors' Report continued

accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

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

By Order of the Board

FIL Investments International

Secretary

17 March 2022

Corporate Governance Statement

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

Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018 and the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 46, set out how the principles have been applied.

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

Statement of Compliance

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

THE BOARD

Board Composition

The Board, chaired by Vivian Bazalgette, consists of six non-executive Directors as at the date of this Annual Report. It will revert to five non-executive Directors when Marion Sears steps down from the Board at the conclusion of the AGM on 10 May 2022. The Directors believe that, between them, they have good knowledge and wide experience of Europe and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Marion Sears is the Senior Independent Director and fulfils the role as a sounding board for the Chairman, intermediary for the other Directors as necessary, and to act as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate. She will be succeeded by Paul Yates as Senior Independent Director when she steps down from the Board on 10 May 2022.

Biographical details of all Directors are on page 34.

Board Responsibilities

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

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

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

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on the next page gives the attendance record for the meetings held in the reporting year. In addition to the formal Board and Committee meetings, the Board also holds a separate annual Strategy meeting. The Portfolio Managers and key representatives of the Manager also attend these meetings. Regular Board meetings exclude ad hoc meetings for formal approvals.

In addition to the formal Board and Committee meetings, the Board undertakes a two day due diligence trip to Europe every other year. The due diligence trip scheduled for 2021 was postponed due to the ongoing pandemic and travel restrictions. However, the Board did carry out due diligence meetings virtually and in person in November 2021 at Fidelity's offices in London. The Directors also have meetings with Fidelity's Head of Investment Trusts and attend educational days organised by the Manager.

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

Corporate Governance Statement continued

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

¹ Vivian Bazalgette, as Chairman of the Board, was invited to attend all three Audit Committee meetings held in the reporting year.

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Changes to the Board

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

Director Training

On appointment, Directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are considered as part of the evaluation process.

Election and Re-election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for election and re-election at this year's AGM are listed with their details on page 34. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. It takes the form of written questionnaires and discussions except for every third year when an external evaluation is undertaken. For the year under review, the performance and contribution to the Company of each Director was considered using written questionnaires. The performance of the Chairman was evaluated by the other Directors in the

Chairman's absence. It was concluded that the Chairman and each Director had been effective and that they continue to demonstrate commitment to their roles. The evaluation found that the Board functioned well with the right balance of membership and skills. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results. The tenure of individual Directors is also considered during the evaluation process.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board carries out an externally facilitated evaluation every third year. The next external evaluation will be for the Company's year ending 2023.

Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 44 and 45.

BOARD COMMITTEES

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

Audit Committee

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

Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 47 to 49.

Management Engagement Committee

Composition

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

Role and Responsibilities

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

Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee structure and also that of its peers and concluded that it is in the interests of shareholders that the appointment of the Manager should continue. In reaching this conclusion, the Committee noted the Company's good long term NAV and share price performance and the commitment, quality and continuity of the team responsible for the Company. Details of the fee structure for the year ended 31 December 2021 are in the Directors' Report on page 35.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 46 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 50 to 55.

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

Risk Management and Internal Controls

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

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

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. This process also assists in identifying any new emerging risks and the actions necessary to mitigate their potential impact. The Board confirms that this is an effective robust ongoing process in order to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2021 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

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

Whistle-Blowing Procedure

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

Bribery Act 2010

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

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

Criminal Finances Act 2017

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

Corporate Governance Statement continued

Responsibility as Institutional Shareholder

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

Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's Broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Board Directors, are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or in writing at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT2 6RP. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the Company's AGM on 10 May 2022 at which they will have the opportunity to meet and address questions to the Chairman, other members of the Board, the Portfolio Managers and representatives of the Manager. Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person.

For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online. Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 82 for details on how to vote virtually. Further information and links to the Lumi platform may be found on the Company's [website www.fidelity.co.uk/europe](http://www.fidelity.co.uk/europe). On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the [website https://web.lumiagm.com](https://web.lumiagm.com).

Sam Morse, the Lead Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He, the Co-Portfolio Manager and the Board will be very happy to answer any questions that shareholders may have. Investors viewing the AGM online will be able to submit

live written questions to the Board and the Portfolio Managers and these will be addressed on their behalf at an appropriate juncture during the meeting.

The Notice of Meeting on pages 80 to 83 sets out the business of the AGM and the special business resolutions are explained more fully on pages 37 and 38 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

Voting Rights in the Company's Shares

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

Articles of Association

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

On behalf of the Board

Vivian Bazalgette

Chairman

17 March 2022

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2021 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no chief executive and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the AGM on 10 May 2022. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 50 to 55.

Directors' Remuneration

The annual fee structure with effect from 1 January 2022 is as follows: Chairman – £43,000; Chair of the Audit Committee – £34,000; and Director – £28,000. In addition, the Senior Independent Director receives a supplementary fee of £2,500. Prior to this, the fee structure had remained unchanged since 1 January 2020 and was as follows: Chairman – £41,500; Chair of the Audit Committee – £32,500; and Director – £27,000, plus a supplementary fee of £2,500 for the Senior Independent Director. Directors' remuneration is reviewed on an annual basis to ensure that it remains competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful, the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 12 May 2020, is set out below.

The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts.

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

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

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

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

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 12 May 2020 with 99.67% of votes cast in favour, 0.25% of votes cast against and 0.08% of votes withheld. The next vote will be put to shareholders at the AGM in 2023. The Policy has been followed throughout the year ended 31 December 2021 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 11 May 2021, 99.14% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2020, 0.26% of votes were cast against and 0.60% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2021 will be put to shareholders at the AGM on 10 May 2022, and the votes cast will be disclosed on the Company's pages of the Manager's website at: www.fidelity.co.uk/europe.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the reporting year was £157,500 (2020: £167,300). No taxable expenses were claimed by any Director in attending to the affairs of the Company. Directors' fees are disclosed in the table on the next page.

Directors' Remuneration Report continued

	2022	2021	2021	2021	2020	2020	2020
Remuneration of Directors	Projected Total* (£)	Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)
Vivian Bazalgette	43,000	41,500	-	41,500	41,500	-	41,500
Fleur Meijs	34,000	32,500	-	32,500	32,500	-	32,500
Robin Niblett ¹	n/a	n/a	n/a	n/a	9,800	-	9,800
Milyae Park ²	28,000	n/a	n/a	n/a	n/a	n/a	n/a
Sir Ivan Rogers	28,000	27,000	-	27,000	27,000	-	27,000
Marion Sears ³	10,863	29,500	-	29,500	29,500	-	29,500
Paul Yates ⁴	29,616	27,000	-	27,000	27,000	-	27,000
Total	173,479	157,500	-	157,500	167,300	-	167,300

1 Retired on 12 May 2020.

2 Appointed on 1 January 2022.

3 Retiring on 10 May 2022.

4 Senior Independent Director from 10 May 2022.

* The projected fees for 2022 are higher than 2021 due to the crossover between Directors' retirement and appointment. This is part of the Board's succession planning.

Five year change comparison in Directors' Remuneration

The table below sets out the change in Directors' fees over the last five years.

Director	2021	2016	Change (%)
Chairman	41,500	37,500	+10.7%
Senior Independent Director	29,500	24,000	+22.9%
Audit Committee Chair	32,500	28,000	+16.1%
Director	27,000	24,000	+12.5%

Expenditure on Directors' Remuneration and Distributions to Shareholders

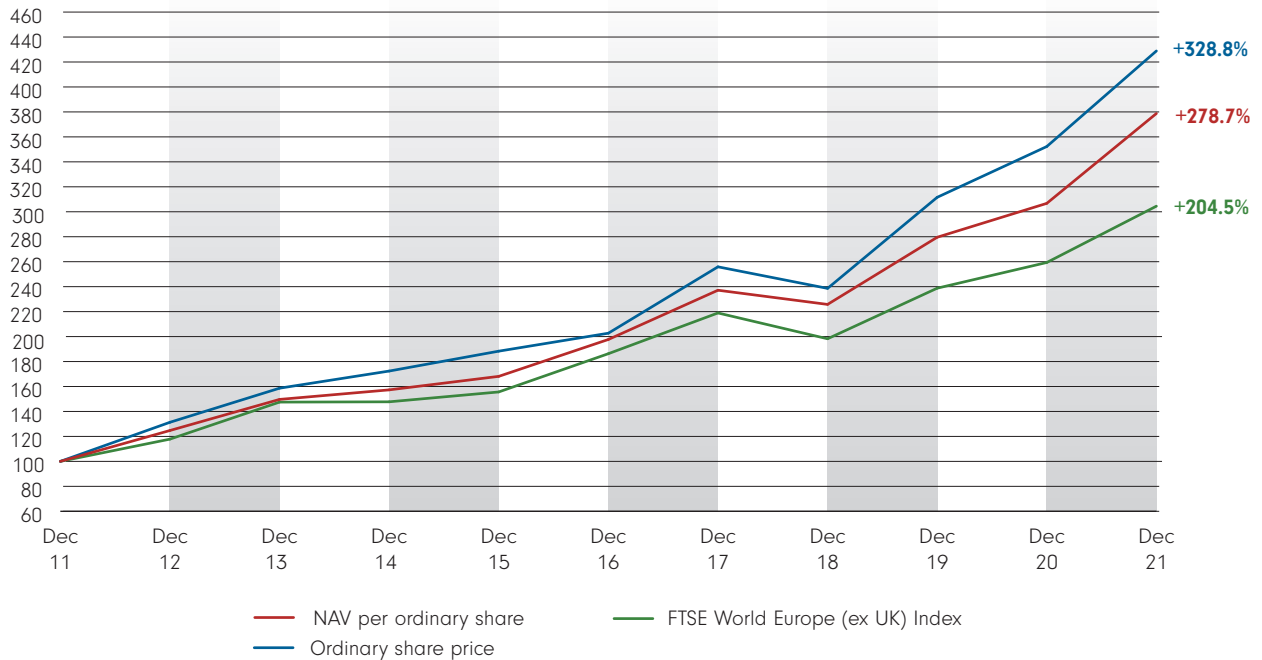
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 December 2022 is disclosed in the table above.

	31 December 2021 £	31 December 2020 £
Expenditure on Directors' Remuneration:		
Fees and taxable expenses	157,500	167,300
Distributions to Shareholders:		
Dividend payments	26,939,000	26,663,000

Performance

The Company's investment objective is to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index for ten years to 31 December 2021.

Total return performance for ten years to 31 December 2021



Directors' Interest in the Company's Shares

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

Directors' Shareholdings (Audited)

	31 December 2021	31 December 2020	Change during year
Vivian Bazalgette	30,000	30,000	-
Fleur Meijs	28,970	28,970	-
Milyae Park ¹	n/a	n/a	-
Sir Ivan Rogers	-	-	-
Marion Sears	25,475	25,475	-
Paul Yates	32,000	32,000	-

¹ Appointed on 1 January 2022.

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

On behalf of the Board

Vivian Bazalgette

Vivian Bazalgette
 Chairman
 17 March 2022

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company and 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at: **www.fidelity.co.uk/europe**. They have delegated this responsibility to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm, to the best of their knowledge:

- The Financial Statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Annual Report, including the Strategic 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 the Company faces; and
- 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.

The Statement of Directors' Responsibilities was approved by the Board on 17 March 2022 and signed on its behalf by:

Vivian Bazalgette
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the external audit process and how this has been assessed for the year ended 31 December 2021.

Composition of the Committee

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

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

Role and Responsibilities of the Committee

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

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

Meetings and Business Considered by the Committee

Since the date of the last Annual Report (16 March 2021), the Committee has met three times and the Auditor attended the November 2021 and March 2022 meetings.

The following matters were reviewed at each Committee meeting:

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

Report of the Audit Committee continued

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

July 2021	<ul style="list-style-type: none"> • The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement • The interim dividend payment to be recommended to the Board for approval • Business, Energy and Industrial Strategy (BEIS) Audit Reform proposal • Participation in the Financial Reporting Council's Audit Quality Indicators pilot scheme
November 2021	<ul style="list-style-type: none"> • The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2021 • Cybersecurity reporting and review of potential threats • The Manager's business continuity risks and the ability to carry on operating from the ongoing pandemic • Internal Audit reporting, including review of the Internal Audit plan • Review of Fidelity's AAF Reports (assurance reports on internal control) • Review of outsourced third party service providers control reports
March 2022	<ul style="list-style-type: none"> • The Auditor's findings from the audit of the Company, including reviewing the Financial Reporting Council's Audit Quality Indicators pilot scheme • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Viability, Fair, Balanced and Understandable and Going Concern Statements, including the ongoing impact of the pandemic on the Company's performance, prospects and operations • The final dividend payment to be recommended to the Board and shareholders for approval

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 46. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Committee during the year

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

Recognition of investment income	<p>Investment income is recognised in accordance with Accounting Policy Note 2 (e) on page 59. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for classification of these special dividends. The Committee reviewed the internal audit and the compliance monitoring reports received from the Manager, including an additional internal controls report ("AAF" report) prepared by PricewaterhouseCoopers LLP ("PwC") on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income.</p>
Valuation, existence and ownership of investments (including derivative investments)	<p>The valuation of investments (including derivatives) is in accordance with Accounting Policy Notes 2 (k) and 2 (l) on pages 60 and 61. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depositary and an additional AAF report prepared by PwC on behalf of the Manager which concluded that the controls around the valuation, existence and ownership of investments operate effectively. The Committee's review included the impact of the ongoing pandemic on the Company's portfolio from market volatility. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including the derivative investments.</p>

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

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 December 2021.

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

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

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

- The fulfilment by the Auditor of the agreed audit plan, including the audit team and approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2021; and
- Feedback from the Manager on the audit of the Company.

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

AUDITOR'S APPOINTMENT AND AUDIT TENURE

Ernst & Young LLP was appointed as the Company's Auditor on 12 May 2016 following a formal audit tender process in 2015. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the first year that the new Audit Partner, Susan Dawe, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restricts the Company's choice of auditor.

Audit Fees

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 63. The audit fee for the reporting year was £29,000 (2020: £29,000).

Fleur Meijs

Chair of the Audit Committee
17 March 2022

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

Opinion

We have audited the Financial Statements of Fidelity European Trust PLC (the 'Company') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2023 which is at least 12 months from the date the Financial Statements were authorised for issue. The Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. Considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Company.
- Considering the mitigating factors included in the revenue forecasts that are within the control of the Company, including a review of the Company's assessment of the liquidity of the investments held and evaluating the Company's ability to sell investments in order to cover the working capital requirements of the Company.
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 March 2023 which is at least 12 months from when the Financial Statements are authorised for issue.

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

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

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement. • Risk of incorrect valuation or ownership of the investment portfolio.
Materiality	<ul style="list-style-type: none"> • Overall materiality of £14.74m which represents 1% of the Company's net asset value as at 31 December 2021.

An overview of the scope of our audit

Tailoring the scope

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Fidelity European Trust PLC. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 24 in the principal and emerging risks sections, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosure in the Financial Statements as set out in Note 2 (a) on page 59 and the conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS 102. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement</p> <p><i>Refer to the Report of the Audit Committee (page 48); Accounting Policies (page 59); and Note 3 of the Financial Statements (page 62).</i></p> <p>The Company has reported revenue of £37.88m (2020: £25.55m).</p> <p>During the year, the Company received special dividends amounting to £0.16m (2020: £0.01m), of which £0.08m (2020: £0.01m) was classified as revenue and £0.08m (2020: £nil) as capital.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>The Directors may be required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding the revenue recognition and classification of special dividends by performing our walkthrough procedures to evaluate the design and implementation of controls.</p> <p>For a sample of dividends from investments and contracts for difference (CFDs), we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We agreed amounts to bank statements or broker statements and, where applicable, we agreed the exchange rates to an external source.</p> <p>For all dividends accrued, we agreed dividend entitlement to an independent data vendor and, where applicable, we agreed the amount receivable to post year-end bank statements.</p> <p>To test completeness of recorded income, we verified that expected dividends for a sample of investee companies held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor. We further performed a review of the income report and acquisition disposal reports to evaluate all dividends received and accrued during the period that are above our testing threshold. We identified which of the dividends above our testing threshold are special dividends with reference to an external source.</p> <p>For all special dividends, we recalculated the amount recognised and assessed the appropriateness of the Company's classification as either revenue or capital by reviewing the rationale for the underlying distribution.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incorrect valuation or ownership of the investment portfolio</p> <p><i>Refer to the Report of the Audit Committee (page 48); Accounting Policies (pages 60 and 61); and Notes 10 and 11 of the Financial Statements (pages 66 and 67).</i></p> <p>The valuation of the investment portfolio at 31 December 2021 was £1,452.0m (2020: £1,202.4m) including £1,448.0m (2020: £1,200.7m) of listed investments and £4.0m (2020: £1.7m) of net derivatives.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing our walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment and derivative valuations as at the year-end. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations.</p> <p>We inspected the stale pricing report produced by the Manager to identify prices that have not changed around the year end and verified whether the listed price is a valid fair value through review of trading activity.</p> <p>We compared the Company's investment holdings at 31 December 2021 to the independent confirmation received directly from the Company's Custodian and Depositary. We agreed all year-end open derivative positions to confirmations received independently from the Company's brokers.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

Our Key audit matters remain unchanged from the prior year.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £14.74m million (2020: £12.20 million), which is 1% (2020: 1%) of the Company's net asset value. We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £11.06m (2020: £9.15m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £1.7m (2020: £1.12m), being 5% of the net return on ordinary activities before taxation (2020: 5% of the net return on ordinary activities before taxation).

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

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.74m (2020: £0.61m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 35;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate as set out on pages 27 and 28;
- Directors' statement on fair, balanced and understandable as set out on page 46;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 24;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems as set out on page 41; and
- The section describing the work of the Audit Committee as set out on page 47.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities as set out on page 46, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how Fidelity European Trust PLC is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

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

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

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 12 May 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2016 to 31 December 2021.

- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Susan Dawe

Senior Statutory Auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 March 2022

Income Statement

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021			Year ended 31 December 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	-	221,090	221,090	-	89,664	89,664
Gains on derivative instruments	11	-	38,145	38,145	-	2,768	2,768
Income	3	37,879	-	37,879	25,552	-	25,552
Investment management fees	4	(2,438)	(7,313)	(9,751)	(2,225)	(6,674)	(8,899)
Other expenses	5	(908)	-	(908)	(845)	-	(845)
Foreign exchange losses		-	(27)	(27)	-	(175)	(175)
Net return on ordinary activities before finance costs and taxation		34,533	251,895	286,428	22,482	85,583	108,065
Finance costs	6	(134)	(403)	(537)	(89)	(265)	(354)
Net return on ordinary activities before taxation		34,399	251,492	285,891	22,393	85,318	107,711
Taxation on return on ordinary activities	7	(3,547)	-	(3,547)	(1,325)	-	(1,325)
Net return on ordinary activities after taxation for the year		30,852	251,492	282,344	21,068	85,318	106,386
Return per ordinary share	8	7.50p	61.15p	68.65p	5.12p	20.74p	25.86p

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

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

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

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
Total shareholders' funds at 31 December 2020		10,411	58,615	5,414	1,122,325	23,520	1,220,285
Net return on ordinary activities after taxation for the year		-	-	-	251,492	30,852	282,344
Repurchase of ordinary shares	14	-	-	-	(1,457)	-	(1,457)
Dividends paid to shareholders	9	-	-	-	-	(26,939)	(26,939)
Total shareholders' funds at 31 December 2021		10,411	58,615	5,414	1,372,360	27,433	1,474,233
Total shareholders' funds at 31 December 2019		10,411	58,615	5,414	1,037,007	29,115	1,140,562
Net return on ordinary activities after taxation for the year		-	-	-	85,318	21,068	106,386
Dividends paid to shareholders	9	-	-	-	-	(26,663)	(26,663)
Total shareholders' funds at 31 December 2020		10,411	58,615	5,414	1,122,325	23,520	1,220,285

Balance Sheet

as at 31 December 2021

Company number 2638812

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	10	1,447,997	1,200,663
Current assets			
Derivative instruments	11	4,010	2,119
Debtors	12	8,957	5,814
Amounts held at futures clearing houses and brokers		2,962	5,977
Cash and cash equivalents		11,366	7,070
		27,295	20,980
Current liabilities			
Derivative instruments	11	-	(403)
Other creditors	13	(1,059)	(955)
		(1,059)	(1,358)
Net current assets		26,236	19,622
Net assets		1,474,233	1,220,285
Capital and reserves			
Share capital	14	10,411	10,411
Share premium account	15	58,615	58,615
Capital redemption reserve	15	5,414	5,414
Capital reserve	15	1,372,360	1,122,325
Revenue reserve	15	27,433	23,520
Total shareholders' funds		1,474,233	1,220,285
Net asset value per ordinary share	16	358.68p	296.57p

The Financial Statements on pages 56 to 76 were approved by the Board of Directors on 17 March 2022 and were signed on its behalf by:

Vivian Bazalgette

Chairman

Notes to the Financial Statements

1 Principal Activity

Fidelity European Trust PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2638812, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in April 2021. 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 March 2023 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.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 24, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date and therefore reflect the market participants' view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Directors' Report on page 35 takes account of all events and conditions up to 31 March 2023 which is at least twelve months from the date of approval of these Financial Statements.

b) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

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

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

Interest received on CFDs, bank deposits, collateral and money market funds are accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represent the finance costs calculated by reference to the notional value of the CFDs.

Notes to the Financial Statements continued

2 Accounting Policies continued

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

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

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

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

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

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

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

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

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed.

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

2 Accounting Policies continued

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

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract; and
- Futures – the difference between the contract price and the quoted trade price.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included in gains/(losses) on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

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

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

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

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

q) Capital reserve

The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- 75% of investment management fees and finance costs;
- Dividends receivable which are capital in nature; and
- Cost of repurchasing shares.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, 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.

Notes to the Financial Statements continued

3 Income

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Investment income		
Overseas dividends	30,799	20,179
Overseas scrip dividends	513	936
UK dividends	1,374	748
UK scrip dividends	–	509
	32,686	22,372
Derivative income		
Income recognised from futures contracts	1,834	1,040
Dividends received on long CFDs	2,700	1,894
Interest received on CFDs ¹	659	206
	5,193	3,140
Investment and derivative income	37,879	25,512
Other interest		
Interest received on collateral, bank deposits and money market funds	–	31
Interest received on tax reclaims	–	9
	–	40
Total income	37,879	25,552

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

Special dividends of £82,000 (2020: £nil) have been recognised in capital.

4 Investment Management Fees

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	2,438	7,313	9,751	2,225	6,674	8,899

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.

From 1 April 2021, FIL charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.65% of net assets in excess of £400 million. Prior to this date, the investment management fees were charged at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Fees are payable monthly in arrears and are calculated on a daily basis.

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

5 Other Expenses

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
AIC fees	21	21
Custody fees	143	116
Depository fees	64	74
Directors' fees ¹	158	167
Legal and professional fees	170	93
Marketing expenses	126	140
Printing and publication expenses	116	109
Registrars' fees	61	76
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements ²	29	29
Other expenses	20	20
	908	845

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 44.

2 The VAT payable on audit fees is included in other expenses.

6 Finance Costs

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest paid on collateral and bank deposits ¹	40	122	162	30	91	121
Interest paid on CFDs ¹	94	281	375	26	77	103
Dividends paid on short CFDs	-	-	-	33	97	130
	134	403	537	89	265	354

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

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

Notes to the Financial Statements continued

7 Taxation on Return on Ordinary Activities

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	3,547	-	3,547	1,325	-	1,325
Taxation charge for the year (see Note 7b)	3,547	-	3,547	1,325	-	1,325

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 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	34,399	251,492	285,891	22,393	85,318	107,711
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	6,536	47,783	54,319	4,255	16,210	20,465
Effects of:						
Capital gains not taxable ¹	-	(49,249)	(49,249)	-	(17,528)	(17,528)
Income not taxable	(6,210)	-	(6,210)	(4,086)	-	(4,086)
Expenses not deductible	-	76	76	-	33	33
Expense relief for overseas taxation	-	-	-	(2)	-	(2)
Excess management expenses	(326)	1,390	1,064	(167)	1,285	1,118
Overseas taxation	3,547	-	3,547	1,325	-	1,325
Total taxation charge for the year (see Note 7a)	3,547	-	3,547	1,325	-	1,325

¹ The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

c) Deferred taxation

A deferred tax asset of £14,046,000 (2020: £9,611,000), in respect of excess expenses of £50,680,000 (2020: £45,081,000) and excess loan interest of £5,505,000 (2020: £5,505,000), 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 per Ordinary Share

	Year ended 31.12.21	Year ended 31.12.20
Revenue return per ordinary share	7.50p	5.12p
Capital return per ordinary share	61.15p	20.74p
Total return per ordinary share	68.65p	25.86p

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	30,852	21,068
Net capital return on ordinary activities after taxation	251,492	85,318
Total return on ordinary activities after taxation	282,344	106,386

	Number	Number
Weighted average number of ordinary shares held outside Treasury	411,286,049	411,466,049

9 Dividends Paid to Shareholders

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Dividends paid		
Interim dividend of 2.65 pence per ordinary share paid for the year ended 31 December 2021	10,892	-
Final dividend of 3.90 pence per ordinary share paid for the year ended 31 December 2020	16,047	-
Interim dividend of 2.60 pence per ordinary share paid for the year ended 31 December 2020	-	10,698
Final dividend of 3.88 pence per ordinary share paid for the year ended 31 December 2019	-	15,965
	26,939	26,663
Dividend proposed		
Final dividend of 4.18 pence per ordinary share proposed for the year ended 31 December 2021	17,180	-
Final dividend of 3.90 pence per ordinary share proposed for the year ended 31 December 2020	-	16,047
	17,180	16,047

The Directors have proposed the payment of a final dividend for the year ended 31 December 2021 of 4.18 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 10 May 2022 and has not been included as a liability in these Financial Statements. The dividend will be paid on 17 May 2022 to shareholders on the register at the close of business on 1 April 2022 (ex-dividend date 31 March 2022).

Notes to the Financial Statements continued

10 Investments

	2021 £'000	2020 £'000
Investments held at fair value	1,447,997	1,200,663
Opening book cost	784,273	755,905
Opening investment holding gains	416,390	352,797
Opening fair value	1,200,663	1,108,702
Movements in the year		
Purchases at cost	166,196	175,216
Sales - proceeds	(139,952)	(172,919)
Gains on investments	221,090	89,664
Closing fair value	1,447,997	1,200,663
Closing book cost	862,576	784,273
Closing investment holding gains	585,421	416,390
Closing fair value	1,447,997	1,200,663

The Company received £139,952,000 (2020: £172,919,000) from investments sold in the year. The book cost of these investments when they were purchased was £87,893,000 (2020: £146,848,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs

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

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Purchases transaction costs	239	242
Sales transaction costs	48	56
	287	298

The portfolio turnover for the year was 11.6% (2020: 15.9%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average investment portfolio value of the Company.

11 Derivative Instruments

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Gains on derivative instruments		
Gains on long CFD positions closed	27,807	12,258
(Losses)/gains on short CFD positions closed	(471)	4,921
Gains/(losses) on futures contracts closed	8,515	(8)
Movement in investment holding gains/(losses) on long CFDs	1,525	(14,220)
Movement in investment holding gains/(losses) on short CFDs	300	(801)
Movement in investment holding gains on futures	469	618
	38,145	2,768

	2021 Fair value £'000	2020 Fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	4,010	2,119
Derivative instrument liabilities	-	(403)
	4,010	1,716

	Fair value £'000	2021 Asset exposure £'000	Fair value £'000	2020 Asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	3,060	136,841	1,535	99,355
Short CFDs	-	-	(300)	13,922
Long Futures	950	53,348	481	50,359
	4,010	190,189	1,716	163,636

Notes to the Financial Statements continued

12 Debtors

	2021 £'000	2020 £'000
Accrued income	555	524
Taxation recoverable	8,286	5,269
Other debtors and prepayments	116	21
	8,957	5,814

13 Other Creditors

	2021 £'000	2020 £'000
Creditors and accruals	1,059	955

14 Share Capital

	Number of shares	2021 £'000	Number of shares	2020 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	411,466,049	10,286	411,466,049	10,286
Ordinary shares repurchased into Treasury	(450,000)	(11)	-	-
End of the year	411,016,049	10,275	411,466,049	10,286
Ordinary shares of 2.5 pence each held in Treasury*				
Beginning of the year	4,981,861	125	4,981,861	125
Ordinary shares repurchased into Treasury	450,000	11	-	-
End of the year	5,431,861	136	4,981,861	125
Total share capital		10,411		10,411

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

The cost of ordinary shares repurchased into Treasury during the year was £1,457,000 (2020: £nil).

15 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2021	10,411	58,615	5,414	1,122,325	23,520	1,220,285
Gains on investments (see Note 10)	-	-	-	221,090	-	221,090
Gains on derivative instruments (see Note 11)	-	-	-	38,145	-	38,145
Foreign exchange losses	-	-	-	(27)	-	(27)
Investment management fees (see Note 4)	-	-	-	(7,313)	-	(7,313)
Finance costs (see Note 6)	-	-	-	(403)	-	(403)
Repurchase of ordinary shares (see Note 14)	-	-	-	(1,457)	-	(1,457)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	30,852	30,852
Dividends paid to shareholders (see Note 9)	-	-	-	-	(26,939)	(26,939)
At 31 December 2021	10,411	58,615	5,414	1,372,360	27,433	1,474,233

The capital reserve balance at 31 December 2021 includes investment holding gains of £585,421,000 (2020: gains of £416,390,000) as detailed in Note 10 above. See Note 2 (a) 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	£1,474,233,000	£1,220,285,000
Ordinary shares held outside of Treasury at year end	411,016,049	411,466,049
Net asset value per ordinary share	358.68p	296.57p

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, discount control, operational risk from cybercrime, investment performance, key person, environmental, social and governance ("ESG") and operational resilience. Other risks identified are tax and regulatory and other operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 24 to 27.

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

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

Notes to the Financial Statements continued

17 Financial Instruments continued

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

Market price risk

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The level of gearing is reviewed by the Board and the Lead 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 £'000	2020 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	133,781	97,820
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	–	13,622
Amounts held at futures clearing houses and brokers	2,962	5,977
Cash and cash equivalents	11,366	7,070
	14,328	26,669
Net exposure to financial instruments that bear interest	119,453	71,151

Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

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

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

17 Financial Instruments continued
Currency exposure of financial assets

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

Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors ¹ £'000	Cash and cash equivalents ² £'000	2021
					Total £'000
Euro	824,825	190,189	3,258	1,629	1,019,901
Swiss franc	362,721	-	4,655	1,872	369,248
Swedish krona	83,699	-	-	50	83,749
Danish krone	64,182	-	352	80	64,614
Norwegian krone	48,096	-	-	2,909	51,005
UK sterling	64,474	-	3,654	4,826	72,954
	1,447,997	190,189	11,919	11,366	1,661,471

- 1 Debtors include amounts held at futures clearing houses and brokers.
 2 Cash and cash equivalent are made up of £10,696,000 cash at bank and £670,000 held in Fidelity Institutional Liquidity Fund.

Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors ¹ £'000	Cash and cash equivalents ² £'000	2020
					Total £'000
Euro	709,733	149,714	1,886	365	861,698
Swiss franc	296,879	-	3,116	-	299,995
Norwegian krone	57,430	-	-	-	57,430
Danish krone	48,684	-	247	-	48,931
Swedish krona	44,403	-	-	59	44,462
US dollar	-	-	-	14	14
UK sterling	43,534	-	6,542	6,632	56,708
	1,200,663	149,714	11,791	7,070	1,369,238

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

Notes to the Financial Statements continued

17 Financial Instruments continued

Currency exposure of financial liabilities

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

Currency	Short exposure to derivative instruments	Other creditors	2021 Total
	£'000	£'000	£'000
UK sterling	-	1,059	1,059

Currency	Short exposure to derivative instruments	Other creditors	2020 Total
	£'000	£'000	£'000
Euro	13,922	-	13,922
UK sterling	-	955	955
	13,922	955	14,877

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 Managers are responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

Liquidity risk

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

Liquidity risk exposure

At 31 December 2021, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £nil (2020: £403,000) and creditors of £1,059,000 (2020: £955,000).

Counterparty risk

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

17 Financial Instruments continued

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2021, £3,225,000 (2020: £2,170,000) was held by the brokers in cash denominated in UK sterling in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised of: J.P. Morgan Securities plc £3,225,000 (2020: £1,680,000) and UBS AG £nil (2020: £490,000). £2,962,000 (2020: £5,977,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company in cash denominated in UK sterling in a segregated collateral account on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral comprised of: UBS AG £2,962,000 (2020: £5,537,000) in cash and Morgan Stanley & Co International plc £nil (2020: £440,000).

Credit risk

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

Derivative instrument risk

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

- to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital; and
- to position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Managers believe to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2021, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £299,000 (2020: decreased the Company's net return and decreased the net assets by £178,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

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

Currency	2021 £'000	2020 £'000
Euro	92,718	77,071
Swiss franc	33,568	27,272
Swedish krona	7,614	4,042
Danish krone	5,874	4,448
Norwegian krone	4,637	5,221
US dollar	-	1
	144,411	118,055

Notes to the Financial Statements continued

17 Financial Instruments continued

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

Currency	2021 £'000	2020 £'000
Euro	113,322	94,197
Swiss franc	41,028	33,333
Swedish krona	9,305	4,940
Danish krone	7,179	5,437
Norwegian krone	5,667	6,381
US dollar	-	2
	176,501	144,290

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 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 £144,800,000 (2020: increased the net return and increased the net assets by £120,066,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 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 £19,019,000 (2020: increased the net return and increased the net assets by £13,579,000). A decrease of 10% in share prices of the investments underlying the derivative instruments would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (k) and (l) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

Fair Value Hierarchy

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

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

17 Financial Instruments continued

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 Total £'000
Financial assets at fair value through profit or loss				
Investments	1,447,997	-	-	1,447,997
Derivative instrument assets	950	3,060	-	4,010
	1,448,947	3,060	-	1,452,007
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	-	-	-

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

18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 58, and any gearing, which is managed by the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 22. The principal risks and their management are disclosed in the Strategic Report on pages 24 to 27 and in Note 17 above.

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

	2021		2021	
	Gross gearing Asset exposure £'000	% ¹	Net gearing Asset exposure £'000	% ¹
Investments	1,447,997	98.2	1,447,997	98.2
Long CFDs	136,841	9.3	136,841	9.3
Long futures	53,348	3.6	53,348	3.6
Total long exposures	1,638,186	111.1	1,638,186	111.1
Short CFDs	-	-	-	-
Gross asset exposure/net market exposure	1,638,186	111.1	1,638,186	111.1
Shareholders' funds	1,474,233		1,474,233	
Gearing²		11.1		11.1

1 Exposure to the market expressed as a percentage of shareholders' funds.

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

Notes to the Financial Statements continued

18 Capital Resources and Gearing continued

	2020			
	Gross gearing		Net gearing	
	Asset exposure £'000	% ¹	Asset exposure £'000	% ¹
Investments	1,200,663	98.4	1,200,663	98.4
Long CFDs	99,355	8.1	99,355	8.1
Long futures	50,359	4.1	50,359	4.1
Total long exposures	1,350,377	110.6	1,350,377	110.6
Short CFDs	13,922	1.2	(13,922)	(1.2)
Gross asset exposure/net market exposure	1,364,299	111.8	1,336,455	109.4
Shareholders' funds	1,220,285		1,220,285	
Gearing²		11.8		9.4

¹ Exposure to the market expressed as a percentage of shareholders' funds.

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

19 Transactions with the Managers and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 35 and in Note 4 above. During the year, fees for portfolio management services of £9,751,000 (2020: £8,899,000) were payable to FIL. At the Balance Sheet date, fees for portfolio management services of £871,000 (2020: £806,000) 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 £126,000 (2020: £140,000). At the Balance Sheet date, marketing services of £5,000 (2020: £6,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report on pages 44 and 45. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £16,000 (2020: £17,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2021, Directors' fees of £14,000 (2020: £14,000) were accrued and payable.

Alternative Performance Measures

Discount/Premium

The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the NAV of the Company and the ordinary share price and is expressed as a percentage of the NAV. Details of the Company's discount/premium are on the Financial Highlights page and both are defined in the Glossary of Terms on page 87 and 88.

Gearing

Gearing is considered to be an Alternative Performance Measure. See Note 18 on pages 75 and 76 for details of the Company's gearing.

Net Asset Value ("NAV") per Ordinary Share

The NAV per ordinary share is considered to be an Alternative Performance Measure. See the Balance Sheet on page 58 and Note 16 on page 69 for further details.

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)	9,751	8,899
Other expenses (£'000)	908	845
Ongoing charges (£'000)	10,659	9,744
Average net assets (£'000)	1,346,519	1,132,867
Ongoing charges ratio	0.79%	0.86%

Revenue, Capital and Total Returns

Revenue, capital and total returns are considered to be Alternative Performance Measures. See the Income Statement on page 56 and Note 8 on page 65 for further details.

Total Return Performance

Total return performance 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 share price goes ex-dividend.

The tables below provide information relating to the NAVs and ordinary share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 December 2021 and 31 December 2020.

	Net asset value per ordinary share	Ordinary share price
2021		
31 December 2020	296.57p	286.00p
31 December 2021	358.68p	340.50p
Change in year	+20.9%	+19.1%
Impact of dividend reinvestment	+2.6%	+2.6%
Total return for the year	+23.5%	+21.7%

Alternative Performance Measures continued

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

Financial Calendar

The key dates in the Company's calendar are:

31 December 2021 - Financial Year End

March 2022 - Announcement of the annual results for the year to 31 December 2021

March 2022 - Publication of this Report

31 March 2022 - Ex-dividend date

1 April 2022 - Dividend Record date

10 May 2022 - Annual General Meeting

17 May 2022 - Payment of the Final Dividend

30 June 2022 - Half-Year End

July/August 2022 - Announcement of the Half-Yearly results for the six months to 30 June 2022

August 2022 - Publication of the Half-Yearly Report

September 2022 - Ex-Dividend and Record dates

November 2022 - Payment of Interim Dividend

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Trust PLC will be held at 4 Cannon Street, London EC4M 5AB and virtually via the Lumi AGM meeting platform on Tuesday, 10 May 2022 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2021.
2. To declare that a final dividend for the year ended 31 December 2021 of 4.18 pence per ordinary share be paid to shareholders on the register as at close of business on 1 April 2022.
3. To re-elect Mr Vivian Bazalgette as a Director.
4. To re-elect Ms Fleur Meijs as a Director.
5. To elect Ms Milyae Park as a Director.
6. To re-elect Sir Ivan Rogers as a Director.
7. To re-elect Mr Paul Yates as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 43) for the year ended 31 December 2021.
9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
10. To authorise the Directors to determine the Auditor's remuneration.

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

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company (including Treasury shares) in issue on 17 March 2022. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would be re-issued at net asset value ("NAV") per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or

to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 17 March 2022) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 17 March 2022); and
 - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share,

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

Authority to Repurchase Shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 17 March 2022, either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of

ordinary shares will be made at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 2.5 pence each (the "shares") in the capital of the Company provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 61,611,305;
 - b) the minimum price which may be paid for an ordinary share is 2.5 pence;
 - c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
 - (i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;
 - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
 - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board
FIL Investments International
 Secretary
 17 March 2022

Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at www.signalshares.com, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your Form of Proxy.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 12 noon on Friday, 6 May 2022. Completion and return of the Form of Proxy will not prevent a shareholder from subsequently attending the meeting and voting in person or virtually if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on Friday, 6 May 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. In any case your Form of Proxy must be received by the Company's Registrar no later than 12 noon on Friday, 6 May 2022.

Notice of Meeting continued

6. Proxymity Voting – If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by no later than 12 noon on Friday, 6 May 2022 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
7. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Friday, 6 May 2022. Shareholders are urged to vote using the Form of Proxy provided or electronically where permitted by your nominee or platform.
8. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site: <https://web.lumiagm.com>. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will be asked to enter the Lumi Meeting ID which is **164-099-858**. You will then be prompted to enter your unique 11 digit Investor Code ("IVC") including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (www.signalshares.com) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling **+44 (0) 371 277 1020***.

Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company's pages of the Manager's website at: www.fidelity.co.uk/europe.

If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on **+44 (0) 371 277 1020*** in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your shares are held within a nominee / platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **164-099-858**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

*Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

9. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
10. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in

respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.

11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Friday, 6 May 2022. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
12. As at 17 March 2022 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 416,447,910 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 5,431,861. Therefore, the total number of shares with voting rights in the Company was 411,016,049.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
14. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
15. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
16. No Director has a service contract with the Company.
17. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/europe.

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

Shareholder Information

Investing in Fidelity European Trust PLC

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

CONTACT INFORMATION

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

Shareholders on the main share register

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

Email: enquiries@linkgroup.co.uk.

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

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

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

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

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

Fidelity Platform Investors

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

Website: www.fidelity.co.uk/its.

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

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

General Enquiries

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

Telephone: **01737 836347**

Email: investmenttrusts@fil.com.

Website: www.fidelityinvestmenttrusts.com.

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

ShareGift

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

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)

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

Investment Manager, Secretary and Registered Office

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

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbroker

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Registrar

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

Company Information

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

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

Price Information

The share price of Fidelity European Trust PLC is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at www.fidelity.co.uk/europe.

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** (freephone) or FT Cityline on **0905 817 1690** (voice activated service – calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity European Trust PLC is FEV.L, the SEDOL is BK1PKQ9 and the ISIN is GB00BK1PKQ95.

Net Asset Value ("NAV") Information

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

UK Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,300 of capital gains in the current tax year 2021/2022 (2020/2021: £12,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Data Protection

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

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

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

Sharing personal data

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

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

Retention period

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

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

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

Glossary of Terms

AAF Report

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

AIC

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

AIF

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

AIFM

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

AIFMD

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

Alternative Performance Measures

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

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

Asset Exposure

The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of derivatives).

Benchmark Index

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

Capital Gains Tax (CGT)

The tax that may be payable if shares are sold at a profit.

Collateral

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

Contract For Difference (CFD)

A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company

to gain access to the movement in the share price by depositing a small amount of cash known as collateral. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received. If the Company trades short, dividends are paid.

Corporation Tax

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

Custodian

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

Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P.Morgan Europe Limited act as the Company's Depository.

Derivatives

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

Discount

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

Fidelity International and Fidelity

FIL Limited and its subsidiary group companies including FIL Investment Services (UK) Limited and FIL Investments International which act as AIFM, Secretary and Investment Manager.

Fair Value

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

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

Glossary of Terms continued

Futures

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

Gearing

The economic exposure of the portfolio to its underlying assets in excess of total net assets. It represents the additional exposure to the market above [Shareholders' Funds](#). The Company uses two measures of [gearing](#) ([Gross Gearing](#) and [Net Gearing](#)), both of which are defined in this Glossary of Terms.

Gross Assets

[Net Assets](#) plus borrowings. The Company does not have any borrowings.

Gross Asset Exposure

The value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the [derivatives](#)). This is the sum total of all [Asset Exposures](#).

Gross Gearing

[Gross Asset Exposure](#) in excess of [Shareholders' Funds](#).

Hedging

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

Investment Manager

FIL Investments International.

Manager

FIL Investment Services (UK) Limited is the appointed [Manager](#) under the Alternative Investment Fund Managers' Directive ("AIFMD"), and has delegated the portfolio management of assets to the [Investment Manager](#).

Net Assets or Net Asset Value (NAV)

Sometimes also described as "[Shareholders' Funds](#)", [net assets](#) represent the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the [net asset value](#) on a per ordinary share basis.

Net Asset Value per Ordinary Share

The [net asset value](#) divided by the number of ordinary shares in issue.

Net Gearing

[Net Market Exposure](#) in excess of [Shareholders' Funds](#).

Net Market Exposure

[Net Market Exposure](#) is the total of all long exposures, less short exposures and less exposures [hedging](#) the portfolio.

Ongoing Charges

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

Portfolio Managers

Sam Morse is the appointed Lead Portfolio Manager of the Company and is responsible for managing the Company's assets. He is assisted by the Co-Portfolio Manager, Marcel Stötzel.

Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply [pre-emption rights](#) provision, up to 5% of the Company's issued share capital.

Premium

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

Registrar

An entity that manages the Company's shareholder register. The Company's [Registrar](#) is Link Group.

Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares. It is not distributable by way of dividend and it cannot be used to fund share repurchases.
- **Capital redemption reserve** maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.
- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and issuance of shares from Treasury and it is distributable by way of dividend.
- **Revenue reserve** represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

Return

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

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

Shareholders' Funds

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

Total Return Performance

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

Treasury Shares

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

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Manager's Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 35.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	<p>Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 22 and 23.</p>
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independent safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 24 to 27 and in Note 17 to the Financial Statements on pages 69 to 75.</p>
Valuation of illiquid assets	<p>The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.</p>	<p>As at the date of this report, none of the Company's assets were subject to special arrangements arising from its illiquid nature.</p>

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to the stock markets of continental Europe and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 December 2021, actual leverage was 1.12 for the Gross Method and 1.12 for the Commitment Method.</p>
Liquidity management	<p>The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.</p>	<p>No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 72.</p>
Remuneration of the AIFM	<p>The AIFM operates under the terms of Fidelity International’s Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA’s Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).</p>	<p>Details of Fidelity International’s Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page</p>

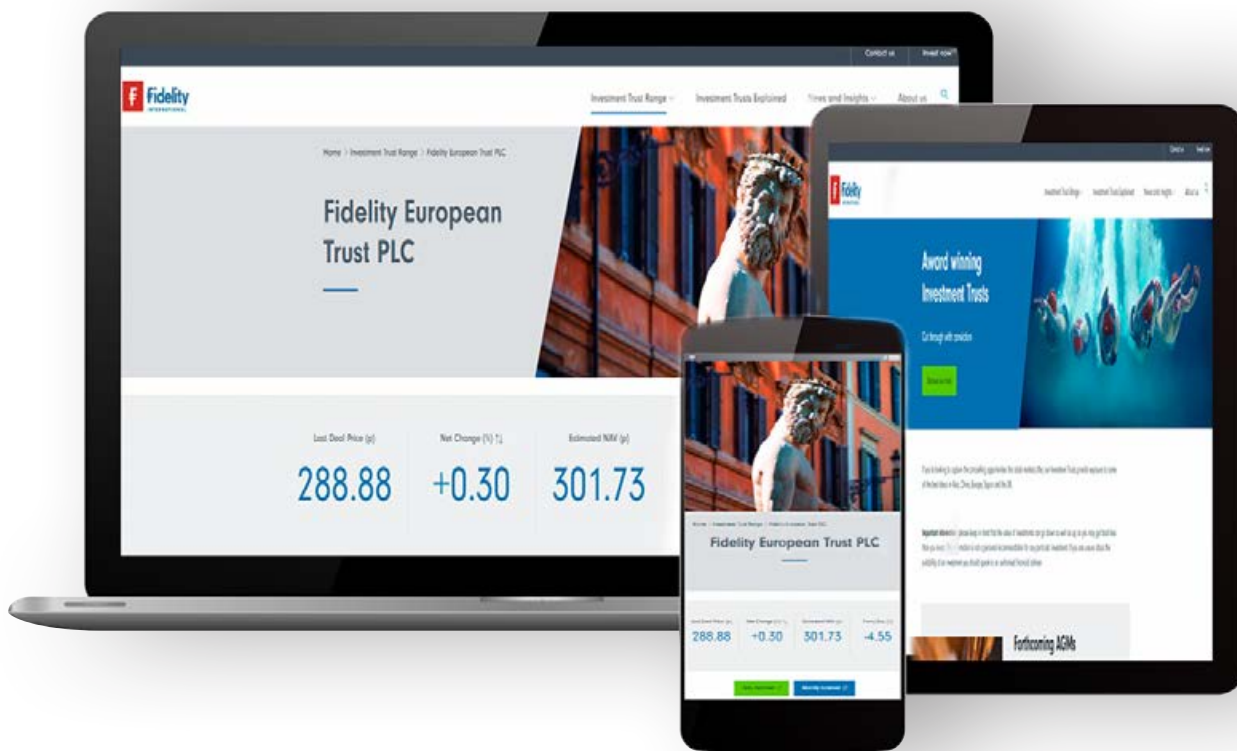
EU Securities Financing Transactions Regulations (“SFTR”)

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

As at 31 December 2021, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £’000	Percentage of Net Assets	Collateral held by the broker £’000	Collateral held by the Company £’000
J.P. Morgan Securities plc (UK)	3,060	0.21%	3,225	–

Collateral held by the broker was denominated in UK sterling and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2021 from CFDs was a gain of £32,145,000.



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



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