

Fidelity Special Values PLC

Half-Yearly Report for the six months ended 28 February 2018



Fidelity[™]
INTERNATIONAL

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Fidelity Special Values PLC aims to achieve long term capital growth for Shareholders. It is an actively managed contrarian Investment Trust that seeks out undervalued opportunities and thrives on volatility and uncertainty.

The Portfolio Manager, Alex Wright's, approach is very much in keeping with Fidelity Special Values' heritage and history - that of value contrarian investing, looking for companies whose potential for share price growth or recovery has been overlooked by the market. Alex then holds these companies until their potential value is recognised by the wider market. He only invests in companies where he understands the potential downside risk to limit the possibility of losses.

We believe the Company is well positioned as the investment of choice for those seeking exposure to UK listed companies but with the benefit of investing up to 20% of the portfolio in listed companies on overseas exchanges in order to enhance Shareholder returns.

Andy Irvine, Chairman

**INVESTING IN
COMPANIES WITH
UNRECOGNISED
POTENTIAL**

LET'S TALK HOW.



Investment Objective and Financial Highlights

The investment objective of Fidelity Special Values PLC is to achieve long term capital growth predominantly through investment in UK listed companies.

Six months ended 28 February 2018

Net Asset Value per Share
total return¹

+2.8%
2017: +10.9%

Share Price total return¹

+4.6%
2017: +20.7%

FTSE All-Share Index
(Benchmark Index) total return¹

-0.9%
2017: +8.6%

Interim Dividend

1.85p
2017: 1.80p

¹ Includes reinvested income

	28 February 2018	31 August 2017
Assets		
Shareholders' funds	£684.7m	£673.5m
Net Asset Value ("NAV") per share	258.85p	254.63p
Share price and discount data		
Share price at period end	255.00p	246.50p
Share price period high ²	273.00p	250.00p
Share price period low ²	236.75p	195.00p
(Discount) at period end	(1.5%)	(3.2%)
(Discount) period high ²	(6.0%)	(12.7%)
Premium period high/(discount) period low ²	0.5%	(0.4%)

² For the six month period to 28 February 2018 and for the year to 31 August 2017

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Portfolio Manager's Half-Yearly Review

Performance

The Company performed well over the 6 month period to 28 February 2018 delivering a net asset value ("NAV") total return of +2.8% and a share price total return of +4.6%, compared to -0.9% for the Benchmark Index (the FTSE All-Share Index). The table below shows performance over 1, 3 and 5 years and since launch.

Total returns (%)	1 year	3 years	5 years	Since launch*
NAV per share	+10.3	+37.4	+89.2	+1,744.1
Share price	+11.1	+50.6	+109.5	+1,773.1
FTSE All-Share Index	+4.4	+18.8	+42.1	+448.7

The figures in the table above are as at 28 February 2018

* The Company launched on 17 November 1994

This report seeks to explain the reasons for the performance over the 6 month review period.

The attribution analysis table below shows the factors that contributed to the Company's NAV per share total return for the six months to 28 February 2018.

Analysis of the change in NAV total return for the period (%)

Impact of:

Index	-0.9
Stock selection	+4.3
Gearing	+0.1
Operational Costs	-0.6
Cash	-0.1

Total return for the six months to 28 February 2018	+2.8
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Stock Market and Portfolio Review

The 6 months to the end of February 2018 saw further challenging market conditions, with increasing concerns of the impact of rising inflation and interest rates on the market outlook. Following a strong period of returns in the market over the past several years, it is reasonable to expect a few periods where overall returns might be lower. Global growth trends remain intact, albeit the UK is now underperforming other developed markets, at least partly due to concerns around Brexit negotiations and lower levels of disposable income for consumers.

In terms of performance, the Company's NAV outperformed the Benchmark Index over the review period. At a stock level, the holding in online gaming company Ladbrokes Coral Group was the leading contributor as its shares rose following a bid by online-focused rival GVC Holdings. Ladbrokes is a company I have used as an example of a deeply undervalued UK domestic consumer stock which the market fundamentally misunderstands, but where a significant amount of due diligence and scenario analysis by Fidelity's analysts has uncovered significant value and limited downside.

Notable other contributors included Hewlett Packard Enterprise where the company unveiled a \$7 billion share buyback programme, reported strong quarterly results and raised its full-year profit forecast. The holding in Royal Mail also rose after the company and the Communications Workers Union (CWU) reached an agreement to end a near 10-month dispute over plans to replace the group's defined benefit pension scheme. Within the financials sector, the position in Irish insurer FBD Holdings added value as the company announced strong growth in profits and a resumption of dividend payments for shareholders. The holding in Citigroup was also increased as its shares were supported by a

combination of attractive stock valuation and strong earnings growth potential.

On the downside, Italian company Leonardo was the leading detractor after it cautioned that it would miss its revenue and profit forecasts, mainly due to problems within its helicopter business. I have sold this position due to the weakening outlook. The holding in pharmaceutical group Shire detracted after its earnings guidance for next year fell short of market expectations, although full-year results beat forecasts. This year we should see an inflection point in expectations for earnings. If this materialises I believe there is significant upside in the stock.

Despite the recent correction, the UK market is currently trading around its long term average and many stocks are on peak margins. While this need not be a cause for immediate concern, I believe it constrains the ability of the overall market to continue to make above average returns in the future, and leaves it more vulnerable to a shock. However, a selective approach, focused on identifying cheap companies with improving fundamentals, stands a good chance of outperforming the market over the coming few years. The good news is that there are still many stocks that are deeply out of favour, even though a recovery is possible. Banks and other financials still look very good value in general. Some of the recent additions to the portfolio have a more defensive flavour, such as education business Pearson, which has strong recovery potential after several very difficult years.

Outlook

I still see a good supply of attractive investment opportunities in diverse sectors such as financial services and industrials, but I remain focused primarily on analysing individual companies. This helps to improve focus on those elements that have the greatest impact on long term share price returns, and reduce the temptation to become distracted by short term factors such as political rhetoric or economic uncertainty.

As ever, I will be spending my time researching and meeting the management teams of companies, looking for those that offer some degree of downside protection but also potential for a positive change to show them in a new light. In my experience, this is the best way to deliver capital growth over the long term.

Alex Wright

Portfolio Manager
27 April 2018

Interim Management Report and Directors' Responsibility Statement

Management Fee

The Board has received a fee proposal from the Company's Alternative Investment Fund Manager which is being considered by the Board to ensure that it will be in the best interests of Shareholders.

Markets in Financial Instruments Directive ("MiFID II")

With effect from 3 January 2018, the MiFID II regulation changed the way that external research is paid for. Previously this research was paid for on a commission basis as part of the costs of transaction, but this is no longer allowed. Fidelity uses external research to access specific technical expertise for the benefit of the portfolio, and the Board is pleased to confirm that Fidelity has agreed to cover these costs under its existing management agreement rather than pass them onto investors. This represents an estimated ongoing saving to the Company which will be directly reflected in the NAV of the Company.

Discount/Premium and Share Repurchases/Issues

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

The level of discount has narrowed from 3.2% at the start of the reporting period to 1.5% as at 28 February 2018. This narrowing of discount gave rise to a share price total return of 4.6% for the six months, ahead of the NAV total return of 2.8%. The Board continues to monitor the discount closely and will take action when it feels it would be effective.

In the six months to 28 February 2018, the Company's shares traded within a range of a 0.5% premium and a 6.0% discount. The Company did not carry out any share repurchases in the reporting period and none have been repurchased since then and as at the date of this report.

The Board will approve share issues from Treasury if the Company's shares are generally trading at a sufficient premium to ensure that the issue of shares is not dilutive and the Company's Broker believes that the Company should be issuing shares from Treasury. Since the end of the reporting period, the Company's shares traded at this level of premium, and the Company has therefore issued 450,000 shares from Treasury.

Interim Dividend

The Board's dividend policy is to pay dividends twice yearly in order to smooth the dividend payment for the reporting year. The Company's revenue return for the six months to 28 February 2018 was 1.07 pence per share. The Board has declared an interim dividend of 1.85 pence per share which is 2.8% higher than last year's interim dividend and provides a good balance between the interim and final dividend payments. This will be paid on 19 June 2018 to Shareholders on the register on 11 May 2018 (ex-dividend date 10 May 2018).

Shareholders may choose to reinvest their dividends for additional shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 22.

Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks and uncertainties faced by the Company.

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into two broad categories which are external and internal risks. External risks comprise of market risk, share price risk, discount control risk, regulatory risk and cybercrime risk. Internal risks comprise of investment management risk and

operational risks (such as service providers). Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 August 2017. A copy of the Annual Report can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

These risks and uncertainties have not materially changed during the six months to 28 February 2018 and are equally applicable to the remaining six months of the Company's financial year.

Transactions with the Manager and Related Parties

The Manager has delegated the Company's portfolio management to FIL Investments International. The transactions with the Manager and related party transactions with the Directors are disclosed in Note 12 to the Financial Statements on page 20.

Going Concern

The Directors have considered the Company's investment objective, policy, strategy, the Company's projected income and expenditure and noted that the portfolio of investments is considered to be mainly readily realisable securities. Therefore, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Continuation votes are held every three years and the next continuation vote will be put to Shareholders at the Annual General Meeting in 2019.

By order of the Board

FIL Investments International

27 April 2018

Directors' Responsibility Statement

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard: FRS 104: Interim Financial Reporting; and
- b) the Interim Management Report, together with the Portfolio Manager's Half-Yearly Review on pages 2 and 3, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

The Half-Yearly Report has not been audited by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 27 April 2018 and the above responsibility statement was signed on its behalf by Andy Irvine, Chairman.

Twenty Largest Investments

as at 28 February 2018

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

	Sector	Gross Asset Exposure		Balance Sheet Value
		£'000	% ¹	£'000
Long Exposures – shares unless otherwise stated				
Royal Dutch Shell (shares and long CFD)	Oil & Gas Producers	38,379	5.6	27,796
Citigroup	Banks	36,174	5.3	36,174
Ladbrokes Coral Group	Travel & Leisure	32,626	4.8	32,626
CRH (long CFD)	Construction & Materials	28,291	4.1	368
Lloyds Banking Group (long CFD)	Banks	27,694	4.0	187
Pearson	Media	21,737	3.2	21,737
Shire	Pharmaceuticals & Biotechnology	20,747	3.0	20,747
Ultra Electronics Holdings	Aerospace & Defense	20,050	2.9	20,050
Phoenix Group Holdings	Life Insurance	19,386	2.8	19,386
Aviva (long CFD)	Life Insurance	18,929	2.8	2,810
Bank of Ireland (long CFD)	Banks	17,003	2.5	(261)
Booker Group	Food & Drug Retailers	16,332	2.4	16,332
Cairn Homes	Home Construction	15,931	2.3	15,931
Royal Bank of Scotland Group	Banks	14,220	2.1	14,220
Coats Group	General Industrials	14,087	2.1	14,087
Alphabet	Software & Computer Services	13,916	2.0	13,916
Hewlett Packard Enterprise	Software & Computer Services	13,744	2.0	13,744
FBD Holdings	Non-life Insurance	13,717	2.0	13,717
Serco Group	Support Services	13,569	2.0	13,569
CLS Holdings	Real Estate Investment & Services	13,450	2.0	13,450

	Gross Asset Exposure		Balance Sheet Value
	£'000	% ¹	£'000
Twenty largest long exposures	409,982	59.9	310,586
Other long exposures	365,324	53.4	354,365
Total long exposures before hedges (104 holdings)	775,306	113.3	664,951
Less: Hedging Exposure			
FTSE 250 Index Future March 2018	(40,848)	(6.0)	687
Total long exposures after the netting of hedges	734,458	107.3	665,638
Short Exposures			
Short CFDs (6 holdings)	16,135	2.4	111
Gross Asset Exposure²	750,593	109.7	
Portfolio Fair Value³			665,749
Net current assets (excluding derivative instrument assets and liabilities)			18,908
Shareholders' Funds			684,657

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

2 Gross Asset Exposure comprises market exposure to investments of £657,239,000 plus market exposure to derivative instruments of £93,354,000

3 Portfolio Fair Value comprises investments of £657,239,000 plus derivative assets of £10,205,000 less derivative liabilities of £1,695,000 (per the Balance Sheet, on page 12)

Income Statement

for the six months ended 28 February 2018

		six months ended 28 February 2018 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments		-	13,627	13,627
Gains on long CFDs		-	1,459	1,459
Gains/(losses) on short CFDs, futures and options		-	1,417	1,417
Investment and derivative income	4	6,510	-	6,510
Other interest	4	116	-	116
Investment management fees	5	(3,294)	-	(3,294)
Other expenses		(322)	-	(322)
Foreign exchange (losses)/gains		-	(781)	(781)
Net return on ordinary activities before finance costs and taxation		3,010	15,722	18,732
Finance costs		(131)	-	(131)
Net return on ordinary activities before taxation		2,879	15,722	18,601
Taxation on return on ordinary activities	6	(40)	-	(40)
Net return on ordinary activities after taxation for the period		2,839	15,722	18,561
Return per ordinary share	7	1.07p	5.94p	7.01p

The Company does not have any other comprehensive income. Accordingly the net return on ordinary activities after taxation for the period is also the total comprehensive income for the period and no separate Statement of Other 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.

year ended 31 August 2017 audited			six months ended 28 February 2017 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	99,508	99,508	-	53,513	53,513
-	4,075	4,075	-	6,790	6,790
-	(9,066)	(9,066)	-	(1,560)	(1,560)
21,146	-	21,146	7,808	-	7,808
268	-	268	142	-	142
(6,076)	-	(6,076)	(2,907)	-	(2,907)
(615)	-	(615)	(321)	-	(321)
-	229	229	-	(636)	(636)
14,723	94,746	109,469	4,722	58,107	62,829
(346)	-	(346)	(196)	-	(196)
14,377	94,746	109,123	4,526	58,107	62,633
(284)	-	(284)	(115)	-	(115)
14,093	94,746	108,839	4,411	58,107	62,518
5.33p	35.80p	41.13p	1.67p	21.94p	23.61p

Statement of Changes in Equity

for the six months ended 28 February 2018

	Note	share capital £'000
Six months ended 28 February 2018 (unaudited)		
Total Shareholders' funds at 31 August 2017		13,532
Repurchase of ordinary shares		-
Net return on ordinary activities after taxation for the period		-
Dividend paid to Shareholders	8	-
Total Shareholders' funds at 28 February 2018		13,532
Year ended 31 August 2017 (audited)		
Total Shareholders' funds at 31 August 2016		13,532
Repurchase of ordinary shares		-
Net return on ordinary activities after taxation for the year		-
Dividend paid to Shareholders	8	-
Total Shareholders' funds at 31 August 2017		13,532
Six months ended 28 February 2017 (unaudited)		
Total Shareholders' funds at 31 August 2016		13,532
Repurchase of ordinary shares		-
Net return on ordinary activities after taxation for the period		-
Dividend paid to Shareholders	8	-
Total Shareholders' funds at 28 February 2017		13,532

share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total Shareholders' funds £'000
95,896	3,256	5,152	543,218	12,448	673,502
-	-	-	-	-	-
-	-	-	15,722	2,839	18,561
-	-	-	-	(7,406)	(7,406)
95,896	3,256	5,152	558,940	7,881	684,657
95,896	3,256	5,152	450,196	10,259	578,291
-	-	-	(1,724)	-	(1,724)
-	-	-	94,746	14,093	108,839
-	-	-	-	(11,904)	(11,904)
95,896	3,256	5,152	543,218	12,448	673,502
95,896	3,256	5,152	450,196	10,259	578,291
-	-	-	(1,612)	-	(1,612)
-	-	-	58,107	4,411	62,518
-	-	-	-	(7,143)	(7,143)
95,896	3,256	5,152	506,691	7,527	632,054

Balance Sheet

at 28 February 2018

Company number 2972628

	Notes	28.02.18 unaudited £'000	31.08.17 audited £'000	28.02.17 unaudited £'000
Fixed assets				
Investments	9	657,239	653,972	596,006
Current assets				
Derivative instruments	9	10,205	10,678	14,250
Debtors		1,314	4,743	4,070
Amounts held at futures clearing houses and brokers		1,858	1,386	4,081
Fidelity Institutional Liquidity Fund		16,306	11,796	23,417
Cash at bank		2,559	1,969	2,673
		32,242	30,572	48,491
Creditors				
Derivative instruments	9	(1,695)	(9,003)	(7,020)
Other creditors		(3,129)	(2,039)	(5,423)
		(4,824)	(11,042)	(12,443)
Net current assets				
		27,418	19,530	36,048
Net assets				
		684,657	673,502	632,054
Capital and reserves				
Share capital	10	13,532	13,532	13,532
Share premium account		95,896	95,896	95,896
Capital redemption reserve		3,256	3,256	3,256
Other non-distributable reserve		5,152	5,152	5,152
Capital reserve		558,940	543,218	506,691
Revenue reserve		7,881	12,448	7,527
Total Shareholders' funds				
		684,657	673,502	632,054
Net asset value per ordinary share				
	11	258.85p	254.63p	238.92p

Notes to the Financial Statements

1 Principal Activity

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

2 Publication of Non-statutory Accounts

The Financial Statements in this half-yearly financial report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 August 2017 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also 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 November 2014 and updated in January 2017 with consequential amendments. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 August 2017.

Notes to the Financial Statements continued

4 Income

	six months ended 28.02.18 unaudited £'000	year ended 31.08.17 audited £'000	six months ended 28.02.17 unaudited £'000
Investment income			
UK dividends	3,433	12,339	4,107
UK scrip dividends	41	90	-
Overseas dividends	1,607	3,712	1,603
Overseas scrip dividends	700	1,254	575
Debt security interest	160	564	269
	5,941	17,959	6,554
Derivative income/(expenses)			
Dividends received on long CFDs	986	3,776	1,440
Dividends and interest paid on short CFDs	(417)	(589)	(186)
	569	3,187	1,254
Investment and net derivative income	6,510	21,146	7,808
Other interest			
Interest received on short CFDs	46	132	97
Interest received on bank deposits and money market funds	70	136	45
	116	268	142
Total investment and net derivative income and other interest	6,626	21,414	7,950

5 Investment Management Fees

	six months ended 28.02.18 unaudited £'000	year ended 31.08.17 audited £'000	six months ended 28.02.17 unaudited £'000
Portfolio management services	2,994	5,476	2,607
Non-portfolio management services ¹	300	600	300
Investment management fees	3,294	6,076	2,907

¹ Includes company secretarial, fund accounting, taxation, promotional and corporate advisory services

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager (the "Manager") and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies. FIL charges portfolio management services fees at an annual rate of 0.875% of net assets. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

6 Taxation on Return on Ordinary Activities

	six months ended 28.02.18 unaudited £'000	year ended 31.08.17 audited £'000	six months ended 28.02.17 unaudited £'000
Overseas taxation recovered	(49)	(91)	-
Overseas taxation suffered	89	375	115
Total taxation charge for the period	40	284	115

Notes to the Financial Statements continued

7 Return per Ordinary Share

	six months ended 28.02.18 unaudited	year ended 31.08.17 audited	six months ended 28.02.17 unaudited
Revenue return per ordinary share	1.07p	5.33p	1.67p
Capital return per ordinary share	5.94p	35.80p	21.94p
Total return per ordinary share	7.01p	41.13p	23.61p

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

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	2,839	14,093	4,411
Net capital return on ordinary activities after taxation	15,722	94,746	58,107
Net return on ordinary activities after taxation	18,561	108,839	62,518

	number	number	number
Weighted average number of ordinary shares in issue held outside Treasury	264,499,480	264,637,494	264,773,651

8 Dividends Paid to Shareholders

	six months ended 28.02.18 unaudited £'000	year ended 31.08.17 audited £'000	six months ended 28.02.17 unaudited £'000
Final dividend of 2.80 pence per ordinary share paid for the year ended 31 August 2017	7,406	-	-
Interim dividend of 1.80 pence per ordinary share paid for the year ended 31 August 2017	-	4,761	-
Final dividend of 2.70 pence per ordinary share paid for the year ended 31 August 2016	-	7,143	7,143
Total dividends paid	7,406	11,904	7,143

8 Dividends Paid to Shareholders continued

The Company has declared an interim dividend for the six month period to 28 February 2018 of 1.85 pence per ordinary share (2017: 1.80 pence). The interim dividend will be paid on 19 June 2018 to Shareholders on the register at 11 May 2018 (ex-dividend date 10 May 2018). The total cost of this interim dividend, which has not been included as a liability in these Financial Statements, is £4,902,000 (2017: £4,761,000). This amount is based on the number of ordinary shares in issue held outside Treasury at the date of this Report.

9 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 valuation techniques using observable inputs other than quoted prices included within level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	28 February 2018 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	641,088	4,477	11,674	657,239
Derivative instrument assets	-	10,205	-	10,205
	641,088	14,682	11,674	667,444
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(1,695)	-	(1,695)

Notes to the Financial Statements continued

9 Fair Value Hierarchy continued

	31 August 2017 audited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	645,625	-	8,347	653,972
Derivative instrument assets	259	10,419	-	10,678
	645,884	10,419	8,347	664,650

Financial liabilities at fair value through profit or loss

Derivative instrument liabilities	-	(9,003)	-	(9,003)
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	28 February 2017 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	589,570	117	6,319	596,006
Derivative instrument assets	-	14,250	-	14,250
	589,570	14,367	6,319	610,256

Financial liabilities at fair value through profit or loss

Derivative instrument liabilities	(2,158)	(4,862)	-	(7,020)
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10 Share Capital

	28 February 2018 unaudited		31 August 2017 audited		28 February 2017 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Issued, allotted and fully paid ordinary shares of 5 pence each						
Held outside Treasury						
Beginning of the period	264,499,480	13,225	265,349,480	13,267	265,349,480	13,267
Ordinary shares repurchased into Treasury	-	-	(850,000)	(42)	(800,000)	(40)
End of the period	264,499,480	13,225	264,499,480	13,225	264,549,480	13,227
Held in Treasury						
Beginning of the period	6,145,000	307	5,295,000	265	5,295,000	265
Ordinary shares repurchased into Treasury	-	-	850,000	42	800,000	40
End of the period	6,145,000	307	6,145,000	307	6,095,000	305
Total share capital	270,644,480	13,532	270,644,480	13,532	270,644,480	13,532

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

Notes to the Financial Statements continued

11 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £684,657,000 (31 August 2017: £673,502,000 and 28 February 2017: £632,054,000) and on 264,499,480 (31 August 2017: 264,499,480 and 28 February 2017: 264,549,480) ordinary shares, being the number of ordinary shares of 5 pence each held outside Treasury at the period end. It is the Company's policy that shares held in Treasury will only be reissued at no less than net asset value per share or at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

12 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5. During the period, fees for portfolio management services of £2,994,000 (year ended 31 August 2017: £5,476,000 and six months ended 28 February 2017: £2,607,000) and fees for non-portfolio management services of £300,000 (year ended 31 August 2017: £600,000 and six months ended 28 February 2017: £300,000) were payable to FIL. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date fees for portfolio management services of £967,000 (31 August 2017: £967,000 and 28 February 2017: £891,000) and fees for non-portfolio management services of £100,000 (31 August 2017: £100,000 and 28 February 2017: £100,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £65,000 (year ended 31 August 2017: £128,000 and six months ended 28 February 2017: £52,000). At the Balance Sheet date, £23,000 (31 August 2017: 25,000 and 28 February 2017: £36,000) for marketing services was accrued and included in other creditors.

As at 28 February 2018, the Board consisted of five non-executive Directors (as shown in the Directory on page 23), all of whom are considered to be independent by the Board apart from Nicky McCabe, who was employed by FIL Limited until 31 December 2017. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £38,750, the Audit Committee Chairman an annual fee of £30,000 and each other Director an annual fee of £25,500 apart from Nicky McCabe who will receive £17,000 for the year due to only being eligible for a Director's fee from 1 January 2018. The following members of the Board hold ordinary shares in the Company: Andy Irvine 75,000 shares, Sharon Brown 15,600 shares, Dean Buckley 12,500 shares, Nigel Foster 30,000 shares and Nicky McCabe 13,418 shares.

Shareholder Information

Investing in Fidelity Special Values PLC

Fidelity Special Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a 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 can be found on Fidelity's website at **www.fidelityinvestmenttrusts.com**

Contact information

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Shareholders on the main share register

Shareholders should note that Capita Asset Services was acquired by Link Group and the new brand name is Link Asset Services. There is no change to the services offered to Shareholders.

Contact Link Asset Services, Registrar to Fidelity Special Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Email: **enquiries@linkgroup.co.uk**

Details of individual shareholdings and other information can also be obtained 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 service. Facilities include:

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.com**, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a Shareholder in the relevant company, and that company offers the Share Deal facility to its Shareholders.

Shareholder Information continued

Dividend Reinvestment Plan

Link Asset Services offer a Dividend Re-investment Plan which is a convenient way for Shareholders to build up their shareholding by using the dividend money to purchase additional shares in the Company. The plan is provided by Link Asset Services, a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. For more information and an application pack call **0371 664 0381** between 9.00 am and 5.30 pm Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: shares@link.co.uk or log onto www.signalshares.com

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

Website: www.fidelity.co.uk/fidelityits

Private investors: call free on **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8.00 am to 6.00 pm, 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: **01732 36 11 44**.

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Financial Calendar 2018/9

28 February 2018	- Half-Yearly period end
27 April 2018	- Announcement of Half-Yearly results
May 2018	- Publication of Half-Yearly Report
19 June 2018	- Interim dividend payment
31 August 2018	- Financial year end
November 2018	- Publication of Annual Report
December 2018	- Annual General Meeting
January 2019	- Final dividend payment

Directory

Board of Directors

Andy Irvine (Chairman)
Sharon Brown (Senior Independent Director and
Chairman of the Audit Committee)
Dean Buckley
Nigel Foster
Nicky McCabe

Alternative Investment Fund Manager (AIFM/Manager)

FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Portfolio Manager, Secretary and Registered Office

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

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

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

Centos Securities plc
6,7,8 Tokenhouse Yard
London
EC2R 7AS

Registrar

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

Glossary of Terms

AIF

Alternative Investment Fund. 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.

BENCHMARK INDEX

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

CONTRACT FOR DIFFERENCE (CFD)

A [contract for difference](#) is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [contract for difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying (“long” position) or fall, by selling (“short” position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received.

DERIVATIVES

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

DISCOUNT

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

FAIR VALUE

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

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

FUTURES

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

GEARING

[Gearing](#) describes the level of the Company’s exposure and is expressed as a percentage of [Shareholders’ funds](#). It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts and [derivatives](#), in order to increase the Company’s exposure to market price movements. The Company uses two key measures of [gearing](#):

- **Gross gearing** is the total of: long exposures, plus short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **Shareholders' funds**; and
- **Net gearing** is the total of: long exposures, less short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **Shareholders' funds**.

GROSS ASSET EXPOSURE

Gross Asset Exposure measures the exposure to market price movements as a result of owning shares, **derivatives** and fixed-interest securities.

HEDGING

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

NET ASSET VALUE (NAV)

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

OPTIONS

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

PREMIUM

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

RETURN

The **return** generated in a given period from the investments:

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

SHAREHOLDERS' FUNDS

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

TOTAL RETURN PERFORMANCE

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

TREASURY SHARES

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



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