

Fidelity Special Values PLC

Half-Yearly Report

For the 6 months ended 28 February 2014



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Investment Objective and Financial Highlights

The investment objective of the Company is to achieve long term capital growth from an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange.

	28 February 2014	31 August 2013
Assets		
Shareholders' funds	£538.9m	£478.5m
Net Asset Value ("NAV") per share	995.60p	883.93p
Number of ordinary shares of 25 pence each	54,128,896	54,128,896

Share price and discount data

Share price at period end	962.00p	840.00p
Share price period high ¹	964.00p	848.00p
Share price period low ¹	825.00p	523.00p
Discount at period end ²	3.0%	3.1%
Discount period high ^{1,2}	5.3%	15.0%
Discount period low ^{1,2}	1.5%	3.1%

Total returns (includes reinvested income) for the six months to end February

	2014	2013
NAV per share	+14.6%	+22.3%
Share price	+16.6%	+29.5%
FTSE All-Share Index ³	+8.8%	+14.2%

¹ For the six month period to 28 February 2014 and for the year to 31 August 2013

² Discount is stated on an ex-income basis

³ The Company's Benchmark Index

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement

RESULTS FOR THE SIX MONTHS TO 28 FEBRUARY 2014

NAV PER SHARE: +14.6%

SHARE PRICE: +16.6%

BENCHMARK INDEX: +8.8%

(All figures on a total return basis which includes reinvested income)

We are pleased to report that the performance of our Company over the last six months has continued to produce net asset value ("NAV") appreciation and deliver strong returns from stock picking. Over the last year or so, we have reaped the rewards of the contrarian positions that the Company took in a difficult market environment when investors had become very negative on the prospects for a recovery in the UK economy.

Positions in retailers, homebuilders and secondary property stocks have all helped the Company to keep ahead of the Benchmark Index during the reporting period. Many of these stocks have risen substantially and the Company has reduced its positions in the portfolio, as their share prices reflect a good deal of optimism regarding future performance.

After a strong performance in 2013, the UK equity market seems to have taken a pause for breath as it waits for corporate earnings to justify the somewhat extended valuations in some companies. In other areas, valuations do not reflect such positive expectations, and it is these areas that the Portfolio Manager, Alex Wright, is finding most attractive. He discusses this subject in more detail in his investment commentary later in the report.

Total return (%)	1 year	3 years	5 years	Since launch
NAV per share	+35.8	+63.9	+190.4	+1,223.3
Share price	+46.9	+76.9	+208.1	+1,213.0
FTSE All-Share Index	+13.3	+31.2	+126.2	+337.5

The attribution analysis of the Company's NAV per share return for the six months to 28 February 2014 is detailed in the table below.

Attribution Analysis	pence
NAV as at 31 August 2013	883.93
Impact of Index (Ungeared)	+88.35
Impact of Portfolio Management ¹	+55.62
Impact of other derivatives ²	-10.67
Operational Costs	-5.17
Cash/Residual	+1.15
NAV (total return)	1,013.21
Dividend paid	-16.25
Impact of reinvestment of dividend paid	-1.36
NAV as at 28 February 2014	995.60

¹ Equities purchased via cash or long CFDs

² Futures and short CFDs

GEARING

The Company continues to use derivatives for gearing purposes and the Board believe that this provides more flexibility for the Company's requirements and currently at a much lower cost than traditional bank debt. As at 28 February 2014, the level of net gearing was 10.3%.

TREASURY SHARES AND SHARE REPURCHASES

At the Annual General Meeting on 12 December 2013, Shareholders approved the use of Treasury shares by the Company. Ordinary shares repurchased by the Company will either be held in Treasury (up to a maximum of 10% of the issued ordinary share capital of the Company) or cancelled. During the six months to 28 February 2014, no ordinary shares were repurchased for holding in Treasury or cancellation.

ALTERNATIVE INVESTMENT FUND MANAGER DIRECTIVE ("AIFMD")

This is a European Directive affecting many investment funds, including the Company, which are managed or promoted within the European Union. You may recall from the Annual Report for the year ended 31 August 2013 that the Board is required to appoint an Alternative Investment Fund Manager ("AIFM") and has decided in principle to appoint a Fidelity group company. In practice, portfolio management will continue to be delegated to FIL Investments International (our current Manager).

An additional requirement of the AIFMD is to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. To this end the Board have agreed in principle to appoint J.P. Morgan Europe Limited to act as the Company's depositary. J.P. Morgan Europe Limited is part of the same group of companies as JPMorgan Chase Bank who act as the Company's current banker and custodian and will continue to do so.

OUTLOOK

In keeping with the Company's contrarian heritage, Alex views the extended valuations we are now seeing in many areas with a degree of caution. Whilst we are undoubtedly pleased with the performance generated under Alex's tenure over the last 18 months, the Board is cognisant of the fact that in a market characterised by extended periods of excessive optimism and high expectations for the future, the Company's performance may not be as strong as it has been. Having sounded a cautious note, it is also appropriate to say that looking at the current portfolio, it is still possible to see good value in absolute terms, whether it is in defensive giants such as Shell and HSBC, or reliable mid-caps such as fuel distributor DCC, or the smaller cap McColls, the recently floated convenience store operator.

Lynn Ruddick
Chairman
23 April 2014

Manager's Half-Yearly Review

The performance of the Company over the six month period has been very encouraging, delivering a net asset value ("NAV") return of 14.6% compared to 8.8% for the Benchmark Index (both figures on a total return basis). This report explains the reasons for the strong performance over the review period.

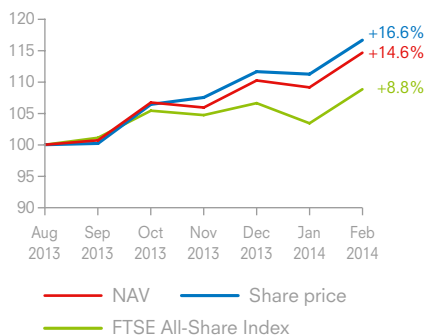
STOCK MARKET & PORTFOLIO REVIEW

The UK stock market recorded positive returns over the six months, rising by 8.8%. The period was marked by further improvements in the UK economy, driven by a strengthening housing market, improving consumer confidence and stabilising employment trends. The UK GDP expanded 0.7% in the fourth quarter of 2013, and 1.9% over the whole of 2013, the best annual rate of economic expansion since 2007. Inflation also remained under control, with the annual inflation rate, as measured by the Consumer Price Index falling below the Bank of England's 2.0% target in January 2014, for the first time in more than four years.

Policy announcements from global central banks, particularly speculation about the US Federal Reserve's ("Fed") monetary tapering, remained in focus. But there were some concerns that the Fed's plans to reduce its monthly bond purchases, albeit moderately, could slow down the recovery. Nevertheless, strong economic data releases helped to assuage most of these worries and the Fed's decision in December to start tapering its asset purchases was seen as a sign of faith in the strength of the US economy.

In tandem with this notable improvement in economic performance, the last 12 months have seen market leadership change dramatically. Domestic UK stocks, which were almost universally unloved a couple of years ago, have performed strongly over the period. This trend led to an increasing focus on medium and small sized

Total return performance for the six months to 28 February 2014



Prices rebased to 100 at 31 August 2013
Sources: Fidelity and Datastream

companies that are expected to benefit from a recovery in the domestic economy, and reflected in their outperformance over larger companies by a considerable margin. This has provided a favourable platform for the performance of Special Values, which had taken positions in these stocks when they were firmly out of favour.

The Company's NAV rose during the period, and outperformed the Benchmark Index. Many of our high conviction positions in medium sized companies showed particular strength, including wealth management firm Brewin Dolphin, whose shares were supported by an increase in the company's funds under management and progress in its internal cost-cutting programme. Other key contributors included Irish support services firm DCC, which reported a strong increase in half yearly revenues, with consolidation of the fuel distribution sector providing opportunities for low risk and earnings' enhancing deals for the company. The healthcare company NMC Health, which has a strong presence in Dubai, also added value as the Dubai government made healthcare insurance mandatory for all residents and visitors.

Manager's Half-Yearly Review

Expectations are that the reform will lead to increased demand from higher utilisation of healthcare services by those who were previously uninsured. Both of these companies remain key positions in the Company and show potential for further contribution to performance. Meanwhile, as the UK housing market improved, house builder Redrow made good progress, buoyed by the increased availability of first time buyer mortgages. Many of the housebuilders and UK-consumer stocks now have relatively high expectations expressed by their share prices, so I am less confident on the outlook for performance in some of these companies.

However, some key portfolio holdings fell due to stock specific reasons. Notable among these were baby product retailer Mothercare which was hurt by a profit warning owing to Christmas price discounting and weak trading conditions. The holding in international games retailer Games Workshop also fell after it announced a drop in first half year profits, although I am confident about the long-term growth potential of both these companies. I remain cautious about staples stocks with emerging markets exposure, which have not yet de-rated, despite a worsening outlook for emerging markets. This results in a continuing underweight position to consumer staples, and materials, where I am still wary of significant uncertainty in the supply/demand dynamic that drives the sector.

The Company continued to make use of derivative instruments to manage risk and gear the portfolio.

OUTLOOK

Looking at the market today, I think it is appropriate to strike a note of caution over average valuations while noting that attractive opportunities still exist across different company size and industry categories. Value investors today have to work a little harder to find their next idea,

and in this environment, the support I receive from our analysts is vital. The more companies we can meet and analyse, the higher the chances of finding the next stock that is going to drive performance for the Company over the rest of 2014 and beyond.

Headline valuations of the FTSE 250 and Small Cap indices are at small premiums to historical averages, meaning that expectations are now relatively high in many stocks. By contrast, many of the largest stocks in the FTSE 100 are very cheap compared to their own histories and cash generating ability. I am holding a number of positions in these very large stocks, including Shell, HSBC and Sanofi, where I see significant potential for latent shareholder value to be unlocked. In the meantime, I can count on a healthy dividend yield to support the share price.

Elsewhere in the market, I continue to see attractive returns available in a number of defensive mid caps which can reinvest in their businesses in a relatively low risk way whilst simultaneously paying a generous dividend to shareholders. Companies like DCC, UDG Healthcare and McColls fall into this category and constitute a significant proportion of the portfolio. Otherwise, a number of riskier stocks with high exposure to the UK consumer recovery still look interesting, although many of the better quality companies in this area now look fully valued.

Following very strong performances in the equity market over the last couple of years, I think another bumper year in 2014 is unlikely. Additionally, a value investor will naturally underperform on a relative basis if the market prefers fashionable 'jam tomorrow' stocks. On the other hand, aside from a style headwind, low macroeconomic volatility tends to work in favour of stockpickers, as the market focuses on company fundamentals. In summary, I would say that my

Manager's Half-Yearly Review

outlook for the rest of 2014 is fairly balanced. I certainly see good value and latent performance in the Special Values portfolio today.

Alex Wright

Portfolio Manager

23 April 2014

Twenty Largest Investments as at 28 February 2014

Investments including derivatives	Exposure ¹ £'000	Fair value ² £'000	Exposure %
Brewin Dolphin Financial Services	28,082	28,082	4.7
Royal Dutch Shell Oil & Gas Producers	26,823	26,823	4.5
UDG Healthcare Food & Drug Retailers	26,821	7,622	4.5
DCC Support Services	25,351	10,467	4.3
Sanofi Pharmaceuticals & Biotechnology	24,927	3,214	4.2
Lloyds Banking Group Banks	22,571	7,066	3.8
SSE Electricity	22,475	274	3.8
Electronic Arts Leisure Goods	18,730	18,730	3.2
HSBC Banks	16,683	16,683	2.8
Carnival Travel & Leisure	16,090	16,090	2.7
Resolution Life Insurance	15,256	4,006	2.6
ICAP Financial Services	14,889	14,889	2.5
WPP Media	14,412	14,412	2.4
Barclays Banks	14,255	14,255	2.4
CLS Holdings Real Estate Investment & Services	14,101	14,101	2.4
Speedy Hire Support Services	13,145	13,145	2.2

Twenty Largest Investments as at 28 February 2014

Investments including derivatives	Exposure ¹ £'000	Fair value ² £'000	Exposure %
GlaxoSmithKline			
Pharmaceuticals & Biotechnology	12,989	12,989	2.2
Smurfit Cappa			
General Industrials	12,246	1,655	2.1
Ladbroke			
Travel & Leisure	11,625	11,625	1.9
TDC			
Fixed Line Telecommunications	10,983	2,187	1.8
Twenty Largest Investments including derivatives	362,454	238,315	61.0
Other Investments including derivatives ³	232,068	292,753	39.0
Total Investments including derivatives	594,522	531,068	100.0

- 1 The value of the portfolio exposed to market price movements. It is made up of the fixed asset investments at fair value, plus the fair value of the underlying securities within the long CFDs, less the fair value of the underlying securities within the short CFDs and less the value offset by the short FTSE 250 Index future hedge
- 2 The fair value of £531,068,000 is recognised in the Balance Sheet on page 14 and is made up of:
 - Fixed asset investments of £491,092,000 plus derivative assets of £45,325,000 less derivative liabilities of £5,349,000
- 3 The derivatives include a short FTSE 250 Index future hedge with a negative exposure value of £40,626,000 and a negative fair value of £3,422,000

Interim Management Report

The Company is required to make the following disclosures in its Half-Yearly Report:

PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into two broad categories. The first, external risks comprising of market, share price and discount risks and the second, internal risks comprising of investment management and governance, operational, financial, compliance, administration etc. Information on each of these risks is given in the Business Review section of the Annual Report for the year ended 31 August 2013.

RELATED PARTY TRANSACTIONS

There have been no related party transactions during the six months to 28 February 2014, and therefore there is nothing to report on any material effect by such a transaction on the financial position or the performance of the Company.

GOING CONCERN

The Board receives regular reports from the Manager and the Directors have a reasonable expectation 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 the financial statements as outlined in the Annual Report for the year ended 31 August 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly Financial Report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and gives a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the UK Listing Authority Disclosure and Transparency Rules ("DTR") 4.2.4R; and
- b) the Interim Management Report (which incorporates the Chairman's Statement and the Manager's Half-Yearly Review on pages 2 to 6) includes a fair review of the information required by DTR Rules 4.2.7R and 4.2.8R.

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

The Half-Yearly Financial Report was approved by the Board on 23 April 2014 and the above responsibility statement was signed on its behalf by Lynn Ruddick, Chairman.

Income Statement

		six months ended 28 February 2014 unaudited		
Notes		revenue £'000	capital £'000	total £'000
	Gains on investments	-	52,275	52,275
	Gains on long CFDs	-	21,117	21,117
	Losses on short CFDs, futures and options	-	(5,778)	(5,778)
2	Net income	4,783	-	4,783
	Investment management fee	(2,581)	-	(2,581)
	Other expenses	(326)	-	(326)
	Exchange (losses)/gains on other net assets	-	(244)	(244)
	Net return on ordinary activities before taxation	1,876	67,370	69,246
3	Taxation on return on ordinary activities	(4)	-	(4)
	Net return on ordinary activities after taxation for the period	1,872	67,370	69,242
4	Return per ordinary share	3.46p	124.46p	127.92p

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.

The total column of this Income Statement is the profit and loss account of the Company.

All items in this Income Statement derive from continuing operations. No operations were acquired or discontinued in the period.

These financial statements have been prepared in accordance with the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") issued in January 2009.

year ended 31 August 2013		
audited		
revenue £'000	capital £'000	total £'000
-	120,875	120,875
-	25,387	25,387
-	(6,740)	(6,740)
14,187	-	14,187
(4,269)	-	(4,269)
(635)	-	(635)
-	19	19
<hr/> 9,283	<hr/> 139,541	<hr/> 148,824
(44)	-	(44)
<hr/> 9,239	<hr/> 139,541	<hr/> 148,780
<hr/> 17.02p	<hr/> 257.01p	<hr/> 274.03p

six months ended 28 February 2013		
unaudited		
revenue £'000	capital £'000	total £'000
-	68,488	68,488
-	9,190	9,190
-	(5,749)	(5,749)
4,669	-	4,669
(1,964)	-	(1,964)
(294)	-	(294)
-	(191)	(191)
<hr/> 2,411	<hr/> 71,738	<hr/> 74,149
(29)	-	(29)
<hr/> 2,382	<hr/> 71,738	<hr/> 74,120
<hr/> 4.38p	<hr/> 131.93p	<hr/> 136.31p

Reconciliation of Movements in Shareholders' Funds

		share capital £'000
Notes		
	Opening Shareholders' funds: 1 September 2012	13,594
	Repurchase of ordinary shares	(12)
	Net return on ordinary activities after taxation for the period	-
5	Dividend paid to Shareholders	-
	Closing Shareholders' funds: 28 February 2013	<u>13,582</u>
	Opening Shareholders' funds: 1 September 2012	13,594
	Repurchase of ordinary shares	(62)
	Net return on ordinary activities after taxation for the year	-
5	Dividend paid to Shareholders	-
	Closing Shareholders' funds: 31 August 2013	<u>13,532</u>
	Net return on ordinary activities after taxation for the period	-
5	Dividend paid to Shareholders	-
	Closing Shareholders' funds: 28 February 2014	<u>13,532</u>

share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
95,767	3,194	5,152	212,058	8,859	338,624
-	12	-	(329)	-	(329)
-	-	-	71,738	2,382	74,120
-	-	-	-	(7,069)	(7,069)
<u>95,767</u>	<u>3,206</u>	<u>5,152</u>	<u>283,467</u>	<u>4,172</u>	<u>405,346</u>
95,767	3,194	5,152	212,058	8,859	338,624
-	62	-	(1,875)	-	(1,875)
-	-	-	139,541	9,239	148,780
-	-	-	-	(7,069)	(7,069)
<u>95,767</u>	<u>3,256</u>	<u>5,152</u>	<u>349,724</u>	<u>11,029</u>	<u>478,460</u>
-	-	-	67,370	1,872	69,242
-	-	-	-	(8,796)	(8,796)
<u>95,767</u>	<u>3,256</u>	<u>5,152</u>	<u>417,094</u>	<u>4,105</u>	<u>538,906</u>

Balance Sheet

Company number 2972628

Notes	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
Fixed assets			
Investments	491,092	424,387	392,934
Current assets			
Derivative assets	45,325	31,333	14,188
Debtors	4,353	2,515	2,117
Amounts held at futures clearing houses and brokers	4,307	–	5,950
Cash at bank	7,253	25,715	4,580
	61,238	59,563	26,835
Creditors			
Derivative liabilities	(5,349)	(1,864)	(7,094)
Other creditors	(8,075)	(3,626)	(7,329)
	(13,424)	(5,490)	(14,423)
Net current assets	47,814	54,073	12,412
Total net assets	538,906	478,460	405,346
Capital and reserves			
6 Share capital	13,532	13,532	13,582
Share premium account	95,767	95,767	95,767
Capital redemption reserve	3,256	3,256	3,206
Other non-distributable reserve	5,152	5,152	5,152
Capital reserve	417,094	349,724	283,467
Revenue reserve	4,105	11,029	4,172
Total equity Shareholders' funds	538,906	478,460	405,346
7 Net asset value per ordinary share	995.60p	883.93p	746.10p

Cash Flow Statement

	six months ended 28.02.14 unaudited £'000	year ended 31.08.13 audited £'000	six months ended 28.02.13 unaudited £'000
Operating activities			
Investment income received	2,975	10,335	4,071
Net derivative income	537	1,596	147
Deposit interest received	12	22	29
Investment management fee paid	(2,492)	(4,064)	(1,865)
Directors' fees paid	(69)	(137)	(66)
Other cash payments	(273)	(617)	(274)
Net cash inflow from operating activities	690	7,135	2,042
Taxation			
Overseas taxation recovered	-	27	1
Taxation recovered	-	27	1
Financial investments			
Purchase of investments	(149,637)	(369,725)	(251,439)
Disposal of investments	139,000	400,121	263,168
Net cash (outflow)/inflow from financial investments	(10,637)	30,396	11,729
Derivative activities			
Receipts/(payments) on CFDs	5,243	(7,778)	(4,928)
Payments on futures	(411)	(4,415)	-
Movements on amounts held at futures clearing houses and brokers	(4,307)	1,236	(4,714)
Net cash inflow/(outflow) from derivative activities	525	(10,957)	(9,642)
Dividend paid to Shareholders	(8,796)	(7,069)	(7,069)
Net cash (outflow)/inflow before financing	(18,218)	19,532	(2,939)
Financing			
Repurchase of ordinary shares	-	(2,287)	(741)
Net cash outflow from financing	-	(2,287)	(741)
(Decrease)/increase in cash	(18,218)	17,245	(3,680)
Reconciliation of net cash movements to movements in net funds			
Net funds at the beginning of the period	25,715	8,451	8,451
(Decrease)/increase in cash	(18,218)	17,245	(3,680)
Foreign exchange movements	(244)	19	(191)
Change in net funds	(18,462)	17,264	(3,871)
Net funds at the end of the period*	7,253	25,715	4,580

*Net funds consist entirely of cash at bank

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 August 2013.

2 INCOME

	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
Income from investments			
UK dividends	2,885	9,454	3,317
UK scrip dividends	366	737	503
Overseas dividends	226	1,049	475
Overseas scrip dividends	639	1,194	151
	<u>4,116</u>	<u>12,434</u>	<u>4,446</u>
Income from derivative instruments			
Dividends received on long CFDs	1,726	3,209	687
Interest received on short CFDs	25	43	15
	<u>5,867</u>	<u>15,686</u>	<u>5,148</u>
Other income			
Deposit interest	10	24	28
Total income	<u>5,877</u>	<u>15,710</u>	<u>5,176</u>
Expenses of derivative instruments			
Interest paid on long CFDs	(649)	(789)	(314)
Dividends paid on short CFDs	(445)	(734)	(193)
	<u>(1,094)</u>	<u>(1,523)</u>	<u>(507)</u>
Net income	<u>4,783</u>	<u>14,187</u>	<u>4,669</u>

Notes to the Financial Statements

	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
3 TAXATION ON RETURN ON ORDINARY ACTIVITIES			
Analysis of the taxation charge for the period			
Overseas taxation recovered	–	(41)	(28)
Overseas taxation charged	4	85	57
	<u>4</u>	<u>44</u>	<u>29</u>

4 RETURN PER ORDINARY SHARE

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 during the period.

	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
Net revenue return on ordinary activities after taxation	1,872	9,239	2,382
Net capital return on ordinary activities after taxation	<u>67,370</u>	<u>139,541</u>	<u>71,738</u>
Net total return on ordinary activities after taxation	<u>69,242</u>	<u>148,780</u>	<u>74,120</u>
Weighted average number of ordinary shares in issue during the period	<u>54,128,896</u>	<u>54,294,786</u>	<u>54,374,752</u>
	28.02.14 unaudited pence	31.08.13 audited pence	28.02.13 unaudited pence
Revenue return per ordinary share	3.46	17.02	4.38
Capital return per ordinary share	<u>124.46</u>	<u>257.01</u>	<u>131.93</u>
Total return per ordinary share	<u>127.92</u>	<u>274.03</u>	<u>136.31</u>

Notes to the Financial Statements

5 DIVIDENDS

No dividend has been declared in respect of the current period. The dividend payment of £8,796,000 shown in the Reconciliation of Movements in Shareholders' Funds for the half-year ended 28 February 2014, is the final dividend of 16.25 pence per ordinary share paid for the year ended 31 August 2013, which was paid on 16 December 2013. The dividend payment of £7,069,000 shown in the Reconciliation of Movements in Shareholders' Funds for the half-year ended 28 February 2013 and for the year ended 31 August 2013, is the final dividend of 13.00 pence per ordinary share paid for the year ended 31 August 2012, which was paid on 17 December 2012.

6 SHARE CAPITAL

	28.02.14 unaudited shares	31.08.13 audited shares	28.02.13 unaudited shares
Issued, allotted and fully paid:			
Ordinary shares of 25 pence each			
Beginning of the period	54,128,896	54,378,896	54,378,896
Ordinary shares repurchased and cancelled	–	(250,000)	(50,000)
End of the period	<u>54,128,896</u>	<u>54,128,896</u>	<u>54,328,896</u>
	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
Issued, allotted and fully paid:			
Ordinary shares of 25 pence each			
Beginning of the period	13,532	13,594	13,594
Ordinary shares repurchased and cancelled	–	(62)	(12)
End of the period	<u>13,532</u>	<u>13,532</u>	<u>13,582</u>

7 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £538,906,000 (31.08.13: £478,460,000; 28.02.13: £405,346,000) and on 54,128,896 (31.08.13: 54,128,896; 28.02.13: 54,328,896) ordinary shares, being the number of ordinary shares in issue at the period end.

Notes to the Financial Statements

8 INVESTMENT TRANSACTION COSTS

Transaction costs are incurred on the acquisition and disposal of investments. These are included in gains on investments in the capital column of the Income Statement and are summarised below:

	28.02.14 unaudited £'000	31.08.13 audited £'000	28.02.13 unaudited £'000
Purchases	712	2,009	1,279
Sales	187	446	270
	<u>899</u>	<u>2,455</u>	<u>1,549</u>

9 UNAUDITED FINANCIAL STATEMENTS

The results for the six months to 28 February 2014 and 28 February 2013, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the year ended 31 August 2013 are extracted from the latest published financial statements. These financial statements, on which the Independent Auditor gave an unqualified report, have been delivered to the Registrar of Companies.

Shareholder Information

CONTACT INFORMATION

Private Investors: call free on:

0800 41 41 10, 9am to 6pm,
Monday to Saturday.

Financial advisers: call free on:

0800 41 41 81, 8am to 6pm,
Monday to Friday.
www.fidelity.co.uk/its

Existing shareholders who have a specific query regarding their holding or need to provide updated information, for example a change of address, should contact the appropriate administrator.

Holders of ordinary shares

Capita Asset Services, Registrars to
Fidelity Special Values PLC, 40 Dukes Place,
London EC3A 7NH.

Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday).
Email: shareholderenquiries@capita.co.uk.

Details of individual shareholdings and other information can also be obtained from the Registrars' website: www.capitaassetservices.com

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 24035,
12 Blenheim Palace, Edinburgh EH7 9DD.
Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline. Other telephone providers' costs may vary).

Fidelity ISA investors

Fidelity, using the freephone numbers given opposite, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.
www.fidelity.co.uk/its

General enquiries should be made to Fidelity, the Investment Manager and 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
Fax: 01737 83 68 92
www.fidelity.co.uk/its

Fidelity Special Values PLC – Newsletter

The Company's first Newsletter can be found on the Company's pages of the Manager's website (www.fidelity.co.uk/its).

FINANCIAL CALENDAR 2014

28 February – Half-Yearly period end

- | | |
|------------------|--|
| April | – Announcement of Half-Yearly results |
| May | – Publication of Half-Yearly Report |
| July | – Interim Management Statement (as at 31 May 2014) |
| 31 August | – Financial year end |
| November | – Publication of Annual Report |
| December | – Annual General Meeting |

Shareholder Information

BOARD, MANAGER AND ADVISORS

BOARD OF DIRECTORS

Lynn Ruddick (Chairman)
Ben Thomson
(Senior Independent Director)
Sharon Brown
(Chairman of the Audit Committee)
Andy Irvine
Douglas Kinloch Anderson
Nicky McCabe

MANAGER, SECRETARY AND REGISTERED OFFICE

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

INDEPENDENT AUDITOR

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London
EC2P 2YU

LAWYERS

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

BANKERS AND CUSTODIAN

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

FINANCIAL ADVISERS AND STOCKBROKERS

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

REGISTRARS

Capita Asset Services
40 Dukes Place
London
EC3A 7NH

Warning to Shareholders

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority ("FCA") has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at www.fca.org.uk/register to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's website for a list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040

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](#).

EXPOSURE

The value of the portfolio exposed to market price movements. It is made up of the fixed asset investments at [fair value](#), plus the [fair value](#) of the underlying securities within the long [Contracts For Difference](#), less the [fair value](#) of the underlying securities within the short [Contracts For Difference](#) and less the value offset by the short FTSE 250 Index [future](#) hedge.

FAIR VALUE

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

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

Glossary of Terms

FUTURE OR FUTURE CONTRACT

An agreement to buy or sell a stated amount of an asset at a specific future date and at a pre-agreed 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 or [derivatives](#), in order to increase the Company's exposure to investments. The Company uses two key measures of [gearing](#):

- [Gross gearing](#) is the total of all long exposures, plus the total of all short exposures and less the total of all exposures [hedging](#) the portfolio, expressed as a percentage of [Shareholders' funds](#); and
- [Net gearing](#) is the total of all long exposures, less the total of all short exposures and less the total of all exposures [hedging](#) the portfolio, expressed as a percentage of [Shareholders' funds](#).

GEARING RATIO

In a simple example, if the Company has £100 million of net assets and £8 million of borrowings (either via bank loans or long [Contracts For Difference](#)) then the [Shareholders' funds](#) are 8% geared. Normally, the higher the [gearing ratio](#), the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

HEDGING

A strategy aimed at minimising or eliminating the risk or loss through adverse price 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 a specific price on or before a specific date. [Options](#) (call or put) 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 returns; and
- **Total Return** reflects the aggregate of revenue and capital returns.

SHAREHOLDERS' FUNDS

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

TOTAL RETURN PERFORMANCE

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

TREASURY SHARES

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



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