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**Fidelity**<sup>TM</sup>  
INTERNATIONAL

# FIDELITY ASIAN VALUES PLC

Annual Report for the year ended 31 July 2018



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# Investment Objective and Overview

The Company’s objective is to achieve long term capital growth principally from the stockmarkets of the Asian Region excluding Japan.

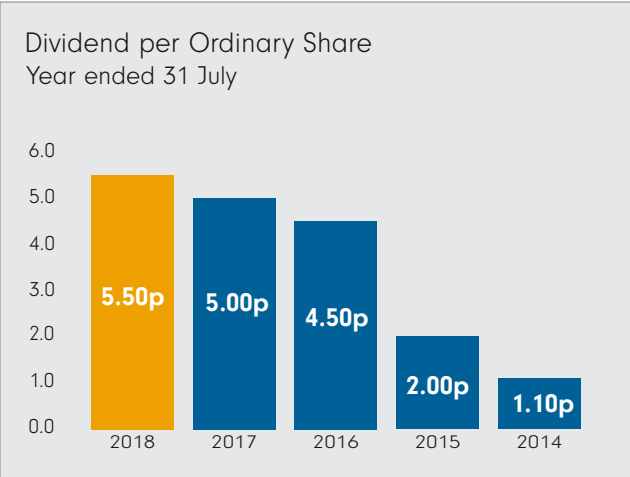
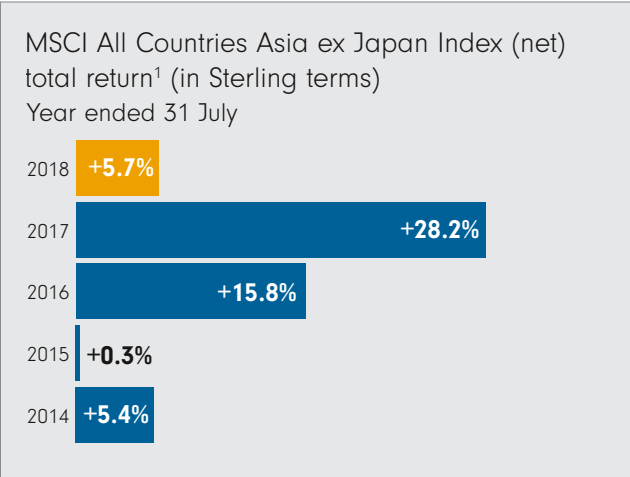
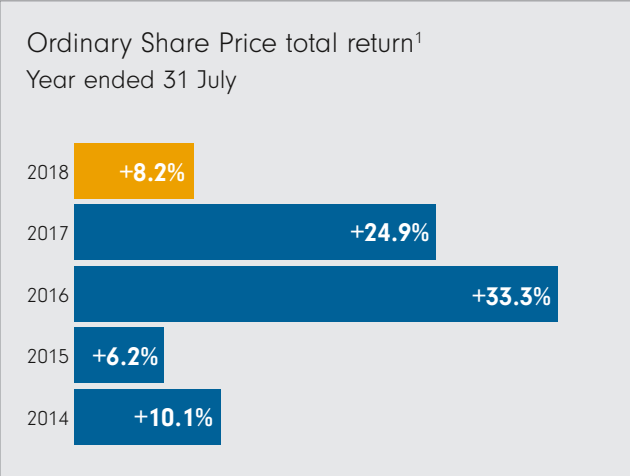
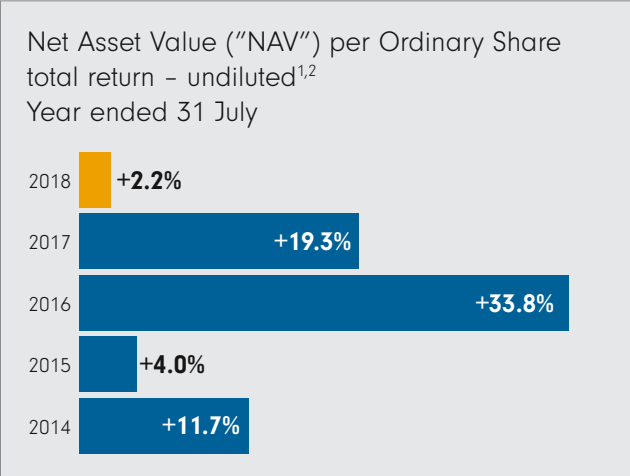
“Fidelity Asian Values PLC provides shareholders with a differentiated equity exposure to Asian Markets. Asia is the world’s fastest-growing economic region and the Trust looks to capitalise on this by finding strong businesses, run by trusted people and buying them at a sensible price. The Company,

therefore, favours undervalued small and medium sized companies as this allows it to find mispriced businesses, the “winners of tomorrow”, before they become well known.”

Kate Bolsover, Chairman,  
Fidelity Asian Values PLC



# At a Glance



1 Includes reinvested income.  
2 See "Summary of Results" for the diluted NAV per Ordinary Share.

## As at 31 July 2018

### Total Shareholders' Funds

£288.0m

### Market Capitalisation

£285.8m

### Capital Structure

Ordinary Shares of 25 pence each in issue

68,669,402

Subscription Shares of 0.001 pence each in issue

12,316,033

## Summary of the key aspects of the Investment Policy

The Portfolio Manager invests in securities of companies which he considers to have fundamental value that has not been recognised by the market.

The Company is not restricted in terms of size or industry of companies included in the portfolio and may invest in unlisted securities.

The Company may also invest into other transferable securities, collective investment schemes, money market instruments, cash and deposits and is also able to use derivatives for efficient portfolio management and investment purposes.

# Summary of Results

	2018	2017
<b>Assets as at 31 July</b>		
Gross Asset Exposure <sup>1</sup>	<b>£285.2m</b>	£273.7m
Total Shareholders' Funds	<b>£288.0m</b>	£280.2m
NAV per Ordinary Share – undiluted	<b>419.36p</b>	415.17p
NAV per Ordinary Share <sup>2</sup> – diluted	<b>413.64p</b>	407.77p
Gearing – (net cash position) <sup>3</sup>	<b>(1.0%)</b>	(2.3%)
<b>Share Price and Discount data at 31 July</b>		
Ordinary Share Price at year end	<b>412.00p</b>	386.00p
Year high	<b>415.00p</b>	405.50p
Year low	<b>361.00p</b>	309.25p
(Discount) to NAV per Ordinary Share at year end – undiluted	<b>(1.8%)</b>	(7.0%)
(Discount) year high	<b>(9.6%)</b>	(13.5%)
Premium year high/(Discount year low)	<b>2.3%</b>	(0.4%)
(Discount) to NAV per Ordinary Share at year end – diluted	<b>(0.4%)</b>	(5.3%)
Subscription Share Price at year end	<b>23.50p</b>	29.50p
<b>Results for the year ended 31 July</b>		
Revenue Return per Ordinary Share	<b>5.70p</b>	6.08p
Capital Return per Ordinary Share	<b>4.23p</b>	61.62p
Total Return per Ordinary Share	<b>9.93p</b>	67.70p
Ongoing Charges for the year ended 31 July <sup>4</sup>	<b>1.17%</b>	1.22%

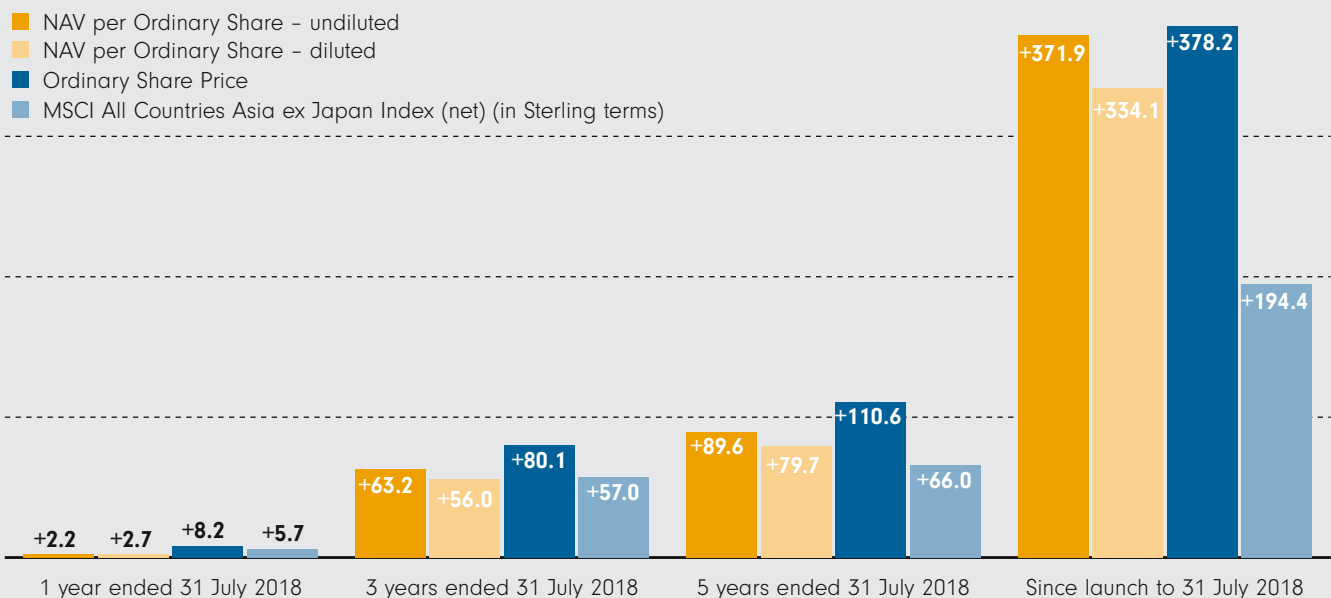
1 The value of the portfolio exposed to market price movements.

2 The NAV per Ordinary Share assuming that all the Subscription Share rights are exercised.

3 Gross Asset Exposure less Total Shareholders' Funds expressed as a percentage of Total Shareholders' Funds.

4 Ongoing Charges (excluding finance costs and taxation) as a percentage of average net asset values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies).

## Standardised Performance Total Return\* (%)



Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

\* Includes reinvested income.



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Ordinary Share Price as at 31 July

2018	412.00p
2017	386.00p
2016	313.00p

## Ten Year Record

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# Chairman's Statement



Kate Bolsover – I have pleasure in presenting the Annual Report of Fidelity Asian Values PLC (the “Company”) for the year ended 31 July 2018.

## £288.0m

(As at 31 July 2018)

Total Shareholders' Funds

## +8.2%

(Year ended 31 July 2018)

Ordinary Share Price total return

Fidelity Asian Values PLC provides shareholders with a differentiated equity exposure to Asian Markets. Asia is the world's fastest-growing economic region and the Trust looks to capitalise on this by finding strong businesses, run by trusted people and buying them at a sensible price. The Company, therefore, favours undervalued small and medium sized companies as this allows it to find mispriced businesses, the “winners of tomorrow”, before they become well known.

### Investment Review

Over the last twelve months, the Company's undiluted net asset value (“NAV”) rose by 2.2%. This can be compared to a rise in the Comparative Index of 5.7% (all performance data is on a total return basis). Whilst this underperformance is understandable in the current market environment given Nitin's value based investment approach, it is nonetheless disappointing for shareholders. However, a strong narrowing of the discount from 7.0% to 1.8% has meant that the Company's share price rose by 8.2% over the same period. It is also pleasing that the Company's NAV and share price returns were positive at a time when the overall market environment became more challenging for equities.

### Economic and Market Review

In the year under review, equities in Asia Pacific ex Japan generated a positive mid-single digit return in Sterling terms. Lately however, markets in the region have become more volatile because of growing global trade tensions and due to a continued pull-back in China's economic stimulus. The good news is that there were pockets of opportunity and markets experienced a narrow rally.

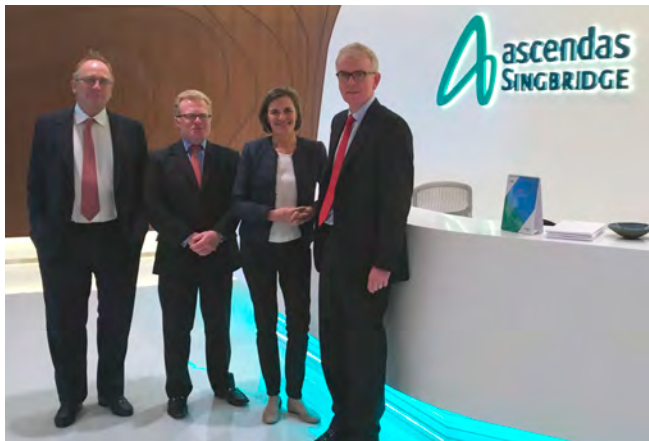
South Korean equities advanced on the back of political cooperation between the country and China to normalise strained relations. Investor confidence also strengthened amid easing tensions, as historical summits between South Korea, the US and North Korea bolstered hopes for denuclearisation of the Korean Peninsula. The Australian market rose, aided by energy, materials and consumer staple stocks. Additionally, the information technology (“IT”) sector was the best performing over the year. In India, optimism around progress on key reforms, improving earnings expectations and a rebound in GDP growth in the six months to December supported sentiment. In a noteworthy development, the government announced a recapitalisation programme for state-owned banks to support credit growth in the economy. Sentiment towards Thai equities also received a boost when the military government announced plans to hold general elections in November 2018 to restore democracy. All sectors in the region except industrials and telecommunications ended in positive territory.

Nitin Bajaj, the Portfolio Manager, will give a fuller explanation of the portfolio and its performance in his Portfolio Manager's Review.

## Due Diligence visit to Asia

The Board carried out its bi-annual due diligence visit to Asia in January this year, visiting Hong Kong, Shenzhen, Dongguan and Singapore.

Specifically, in Dongguan we met with and undertook a factory tour of Stella International Holdings Limited, a company that develops, manufactures, retails and distributes footwear products and leather goods. While in Singapore we met with senior management of Ascendas India Trust, a property company which owns seven IT parks and is well positioned to capitalise on the fast growing IT and business process management industries in India.



*The Board meeting with Ascendas.*

In addition to meeting economists and commentators who provided a macro view of the region, we spent time with Fidelity's investment, research and oversight teams which helped us to gather "on the ground" information at the portfolio level. Together with Nitin and the relevant Fidelity research analyst, we met with eight companies. This allowed us to watch Nitin and the analysts in action as they discussed and challenged management teams. The depth and quality of research provided by Fidelity is amongst the best in Asia and is undertaken by 57 analysts and 32 portfolio managers. Nitin draws extensively on this pool of talent in making his investment decisions and we remain convinced that this is one of the key points of distinction for your Company.



*The Board visiting Stella International's headquarters and showroom.*



*Stella International's factory.*

We were greatly encouraged by what we saw throughout a busy few days and came away with a reinforced view that Asia remains a global economic powerhouse, whose developing countries play an increasing role in the consumption of goods as well as their production. With such a large investible universe in Asia, we remain confident that Fidelity's extensive research capability and Nitin's stock-picking abilities will continue to be put to excellent use in the future.

## Gearing

As mentioned above, a narrow rally in the market created stock-picking opportunities and Nitin has been able to top up existing positions and add new ones at more attractive valuations. As a result, the Company's net market exposure has increased from 86.8% (31 July 2017) to 89.6% as at 31 July 2018. Nitin has not felt the need to use gearing extensively during his tenure as the Company's Portfolio Manager. He continues to believe that performance will be driven by stock picking and would only use gearing more significantly in an environment he felt was more opportune.

## Currency Hedging

Nitin undertook a currency hedge in May 2018. He had seen a number of opportunities to invest in Philippine equities but had some concerns with the Peso exposure that any such investment might involve. He is not making a speculative decision on the future direction of the currency but rather is seeking to remove some of the currency risk, allowing him the freedom to buy the individual stocks that he finds attractive in the Philippines.

It remains the Company's policy not to hedge currency risk against its own base currency (Sterling); therefore any foreign exchange trade will be pegged against either the US Dollar or another Asian Pacific currency.



# Chairman's Statement continued

## Outlook

Asia remains the most dynamic region in the global economy. So, while a value based approach to investing is currently out of favour, we continue to believe that the long term potential to find good companies to invest in remains intact. The region will present stronger growth opportunities than those available elsewhere in the world due to robust domestic demand and an expanding middle class. It is also possible that potential changes in the monetary policy stance of major central banks and geopolitical tensions could lead to market volatility, which would provide Nitin with an opportunity to make further investments.

## OTHER MATTERS

### Brexit

Given the focus on Brexit, it would be remiss not to include a brief statement in this regard. The Board is mindful of the uncertainty caused by Brexit and continues to monitor any impact, along with the Manager, on the Company.

### Management Fee

As reported in the Half-Yearly Report for the six months ended 31 January 2018, the Board has agreed a new variable fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager"). The new arrangement has replaced the Company's annual tiered fee structure of 0.90% on gross assets up to £200 million and 0.85% on gross assets over £200 million. The new fee reduces the headline annual base management fee from 0.90% on gross assets to 0.70% of net assets per annum plus a +/- 0.20% variation based on the Company's NAV per share performance relative to the Company's Comparative Index. The maximum fee that the Company will pay is 0.90% of net assets, but if the Company underperforms against the Comparative Index, then the overall fee could fall as low as 0.50% of net assets.

The new fee arrangement has been effective since 1 August 2018 and provides an overall reduction from the current management fee structure. Full details of the new fee calculation are set out in the Directors' Report on page 27.

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

### EU Product Regulation

The European Union's Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation, which came into force on 1 January 2018, is aimed at helping retail investors better understand and compare the key features, risks, rewards and costs of different products through a short Key Information Document ("KID"). While the Board welcomes transparency and the spirit in which this regulation was intended, it should be noted that the content of the KID, including methodologies for the calculation and presentation of risks, performance scenarios and costs is laid down by regulation, and does not necessarily reflect the views of the Board.

The forward-looking Performance Scenarios are based on degrees of variation from historic performance, and in our view,

are potentially misleading and certainly cannot be guaranteed. The figures in the KID may not reflect the expected returns for the Company and are likely to be higher following periods of strong returns and lower following market falls. It should always be remembered that past performance is not a guide to future performance.

### Authority to Allot Shares

As the Company's shares had, at times throughout the previous year, traded close to premium, the Directors sought and received shareholder approval at last year's Annual General Meeting ("AGM") to increase the authority to issue shares from 5% to 10% of the issued ordinary share capital of the Company, without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. This authority expires at this year's AGM on 13 December 2018 and the Directors are seeking to renew this authority at the forthcoming AGM.

### Bonus Issue of Subscription Shares

Following approval of the bonus issue of subscription shares at the Company's AGM on 2 December 2016 on the basis of one subscription share for every five ordinary shares held by qualifying investors, 1,181,189 ordinary shares of 25 pence were issued on 30 November 2017. This was the first subscription date of the conversion rights attached to the subscription shares. As at the date of this Annual Report, there are 12,316,033 subscription shares remaining and these can be exercised in the 25 business days preceding the last business day in November this year and also in November 2019. The exercise price is equal to the published NAV of 366.88 pence per ordinary share on 2 December 2016 plus a premium of 4% if exercised this year (381.75 pence) and a premium of 7% if exercised in 2019 (392.75 pence).

### Share Repurchases and Treasury Shares

No ordinary shares were repurchased for cancellation or for holding in Treasury and no subscription shares were repurchased for cancellation during the year under review and none have been repurchased since the end of the reporting period and as at the date of this report.

### Dividend

Subject to shareholders' approval at the forthcoming AGM, the Directors recommend a dividend of 5.50 pence per ordinary share which represents an increase of 10.0% to the 5.00 pence paid in 2017. This dividend will be payable on 17 December 2018 to shareholders on the register at close of business on 12 October 2018 (ex-dividend date 11 October 2018). As the Company's objective is long term capital growth, any revenue surplus is a function of a particular year's business and it should not be assumed that dividends will continue to be paid in the future.

### Board of Directors

All Directors are subject to annual re-election at the forthcoming AGM and their biographical details are on page 26 to assist shareholders when considering their votes.

### Annual General Meeting

The AGM of the Company will be held at 1.30 pm on 13 December 2018 at Fidelity's offices at **25 Cannon Street, London EC4M 5TA** (nearest tube stations are St Paul's or Mansion House). Full details of the meeting are given on pages 69 to 71.

This is our opportunity to meet as many shareholders as possible and I hope therefore that you are able to join us. In addition to the formal business of the meeting, Nitin will be making a presentation on the year's results and the prospects for the Company for the year to come.

**Kate Bolsover**

Chairman

27 September 2018



# Portfolio Manager's Review



"All my decisions in the Company are made at the stock-level - one business at a time. Clearly these will aggregate up to a certain country or sector weighting, but every decision I make is based on the merits of an individual business and I would caution you not to read too much into country and sector weightings."

**Nitin Bajaj has been the Company's Portfolio Manager since 1 April 2015. He is based in Singapore and has over 18 years' investment experience and is also the Portfolio Manager for the Fidelity Asian Smaller Companies Fund. Nitin joined Fidelity in 2003 as an Investment Analyst in London. He moved to India in 2009 to take over the Fidelity India Special Situation Fund and subsequently started the Fidelity India Value Fund. Nitin managed these funds until November 2012, when Fidelity decided to sell its India business. Nitin holds a Bachelor of Commerce from the University of Delhi, India and an MBA from INSEAD. He is also a Chartered Accountant.**

## Question

What has the market environment been like in the year under review?

## Answer

Over the last 12 months, the Asian equities market returned around 8% relative to a long term average of 7-10%. In this sense, it has been a relatively unexceptional year.

What is striking, however, is the degree to which the performance of different investment styles has diverged. Momentum stocks (primarily technology companies) enjoyed an excellent run in 2017 and early 2018. Such fashions dominate markets from time-to-time before fading away. I think we may have witnessed a period like this – good businesses trading at unrealistic and often risky valuations.

## Question

What have been the main contributions to performance?

## Answer

Performance over the last couple of years has been solid rather than spectacular. As per the first table on page 7, my three-year tenure numbers are stronger.

Last year I explained the relative underperformance of the Company to shareholders, which was the result of not owning large technology companies and debt driven cyclical businesses in China. As it turned out, these stocks delivered excellent returns but I simply couldn't see sufficient margin of safety to warrant an investment.

This reporting year the narrative has been similar – but it has been a year of two halves, as per the second table on page 7.

Up until January 2018, technology stocks remained in vogue, but since then some of the risks inherent in their business models have attracted greater scrutiny and markets have pulled-backed quite firmly. We have weathered this storm well.

If we look at stock-specific impacts on performance there are a few things to highlight.

We had three situations where companies we owned were acquired at a significant premium (more than 50% on average) – Programme Maintenance Services, Lifecarehealth Group and Zhaopin. All of these represent first-rate businesses, generating significant amounts of cash, in niche areas and had not caught the eye of the wider market. Looking for these sorts of situations is integral to my process.

We also enjoyed significant success with Tianneng Power, Dream International and Texhong Textiles (with all three stocks returning in excess of 50%). These are excellent examples of small

companies with talented management teams continuously driving their businesses forward, while generating attractive returns on capital. Finding hidden gems such as these is exciting and consumes most of my team's time, as well as that of the small-cap analyst team at Fidelity.

Less encouragingly I made two basic mistakes, both of which, with hindsight, were avoidable. While I bought G8 Education and Redington India Ltd at attractive prices, I failed to sell them when valuations began to reflect optimistic business conditions (both were up nearly 70% from where I bought them). Lesson learnt.

	Fidelity Asian Values PLC NAV (undiluted)	Large Cap Index <sup>1</sup>	Small Cap Index <sup>2</sup>	Average of Asian Investment Trusts <sup>3</sup>
Total Return for the three years ended 31 July 2018	+63.2%	+57.0%	+42.2%	+52.5%
Annualised Return for the three years ended 31 July 2018	+17.7%	+16.2%	+12.5%	+15.0%

Sources: Fidelity and Morningstar.

<sup>1</sup> Large Cap Index is the MSCI AC Asia ex Japan Index.

<sup>2</sup> Small Cap Index is the MSCI AC Asia Pacific ex Japan Small Cap Index Aus capped at 10%.

<sup>3</sup> Association of Investment Companies (AIC) sector – Asia Pacific ex Japan peer group excluding income funds (in Sterling terms).

	Fidelity Asian Values PLC NAV (undiluted)	Large Cap Index <sup>1</sup>	Small Cap Index <sup>2</sup>	Average of Asian Investment Trusts <sup>3</sup>
1 August 2017 to 31 January 2018	0.9%	9.2%	9.3%	8.4%
1 February 2018 to 31 July 2018	1.3%	-3.2%	-3.3%	-1.2%

Sources: Fidelity and Morningstar.

<sup>1</sup> Large Cap Index is the MSCI AC Asia ex Japan Index.

<sup>2</sup> Small Cap Index is the MSCI AC Asia Pacific ex Japan Small Cap Index Aus capped at 10%.

<sup>3</sup> Association of Investment Companies (AIC) sector – Asia Pacific ex Japan peer group excluding income funds (in Sterling terms).

## Question

Have there been any major changes to your strategy?

## Answer

No, there has been no change in my investment process. The financial returns that the Company will be able to generate over the coming five years will largely be driven by the hard work of the team and the consistency of application of our investment philosophy. My process has been built over years of practice, observation and empirical evidence. I do not feel the need to change something that works for me.

In essence what we are trying to do is buy good businesses run by good management teams and to buy them at prices that make sense. To accomplish this, my main areas of focus have always been:

### • The business

Understanding the business – the key drivers, the industry structure and its history. Unless the industry structure changes, the past will be indicative of what we can expect of the business in the future.

Looking through the financials of the last 10-20 years to understand the historic return on capital and cyclicity.

Gauging the management team on skill and integrity. I only want to invest with honest and trusted management teams.

Being aware of tailwinds or headwinds that a business or an industry may have had in the last 10-15 years, which may distort what the business was able to deliver in that period.

Looking for businesses with economic advantages, histories of decent profitability (even though cyclical) and margins below historic levels. These factors contribute to a business being able to survive turbulent times.



# Portfolio Manager's Review continued

## • Valuation

The entry price is key as it determines both the base for compounding capital return as well as providing a margin of safety. I look for valuation anomalies or opportunities to buy a good business at attractive valuations. These are situations where in my opinion the market either ignores or misunderstands certain aspects of the business. I would very rarely buy good businesses when valuations are high because it gives me very little margin of safety. For me investing is as much about protecting the downside as it is about participating in the upside.

## • Downside protection

The key thing is to avoid big mistakes. In my experience, big losses arise from the following situations:

- Blue sky: Untested business models (new technology) or high expectations from a tough business (life insurance, for instance)
- High financial leverage

- Turnaround of a bad business at fair valuation (reputation of management versus reputation of the business)
- High growth companies with low barriers to entry
- Well-discovered stories where the business is still doing well – momentum stocks spring to mind.

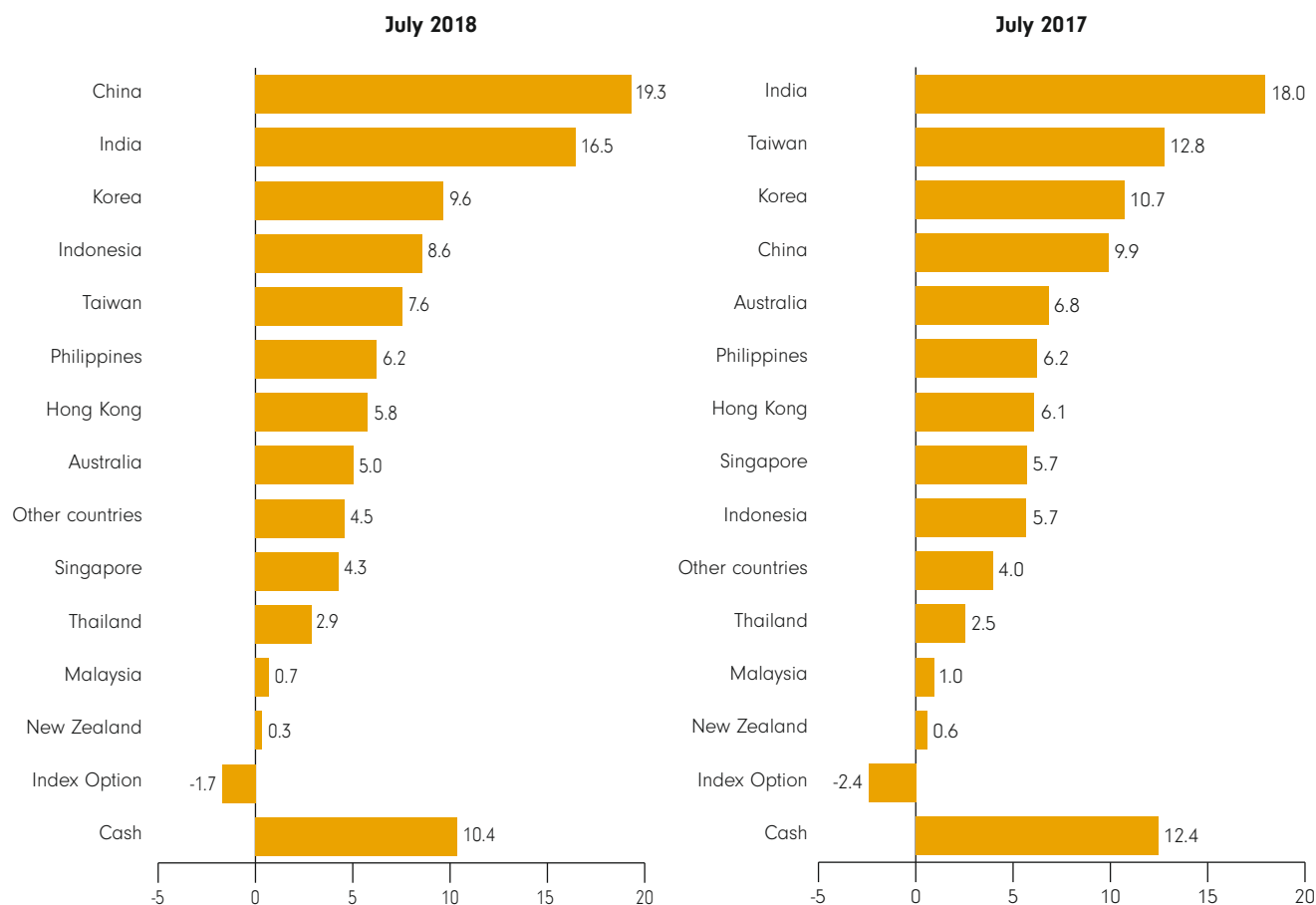
## Question

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

## Answer

All my decisions in the Company are made at the stock-level – one business at a time. Clearly these will aggregate up to a certain country or sector weighting, but every decision I make is based on the merits of an individual business and I would caution you not to read too much into country and sector weightings.

## Distribution of the Portfolio by country (as a percentage of Total Shareholder Funds/Net Assets)



In terms of positions to highlight, I would mention that I have taken a substantial position in the Indian mortgage space with around 5% of the Trust spread across three different companies – Housing Development Finance Corporation, Indiabulls Housing Finance and LIC Housing Finance.

All of these stocks exhibit the traits I look for:

- Each has a significant competitive advantage based on low-cost operations and low borrowing costs;
- They have prudent and trusted management teams which have kept both operating costs as well as non-performing loans in check for long periods of time;
- A growing market – India has less than 10% mortgage/GDP ratio. Comparable ratios in UK are at 60%. These companies can continue to grow for the next decade and beyond. The key will be backing the right management teams who execute in this growing market without taking undue risks.
- Finally, they are available at quite attractive valuations. They easily meet my criteria of having 50% upside over 3 years with limited risks.

#### Question

To what extent would a stronger dollar affect global growth and the emerging markets? How concerned should investors be about the impact of heightened political risk on trade and growth?

#### Answer

It is certainly fair to say that political risks have intensified with a new administration in the US, trade wars between the US and China, and Brexit, among many other political changes. It feels as though policy uncertainty is at the highest level it has been in the last 25 years. But it is important to remember the complexity of these developments and there are no certain answers.

The impact of political and economic policy has many forms and occurs at various stages. The first order impacts are transparent and easy to comprehend – for example, a tax on soya exports from the US to China will impact the price of soya beans. This will have a knock-on impact on palm oil, as soya bean oil competes with palm oil. It will also impact animal feed, which uses soya beans as a raw material. Consequently, meat and poultry prices will be high, which will impact inflation and other macro variables. The point I am trying to make is that the world economy is an extremely complex system and we need to be careful about interpretations we draw from any single policy action.

That said, we as investors need to remain alert to the implications of political crosswinds. My framework for considering the potential impact of changing policy focuses on two elements:

- (1) Avoiding businesses where either the risk of policy impact is very high or where the stock market has failed to understand the unintended consequences of such a policy change; and
- (2) Not allowing myself to become frozen with fear, instead remaining vigilant for new opportunities. Markets sometimes punish stocks which are in the eye of the storm of a policy decision. I am especially interested in these scenarios as they can throw up wonderful businesses going through challenging circumstances which are likely to improve with time. These sorts of companies can be excellent investments for the patient investor.

#### Question

What is your outlook over the next 12 months?

#### Answer

I agree with Warren Buffet when he says: “forecasts tell you more about the forecaster than the future.” With this in mind, I try to spend my time understanding the businesses that I invest in rather than forecasting the direction of the economy or the stock market.

The world is uncertain and I expect it to be a bumpy ride over the next 5 years. I am conscious that this is what I said last year, but I remain convinced that in times such as these, it is even more important to own good businesses. They must not be overly reliant on a positive macro environment, and must be run by competent management teams. As investors we must own them at prices which leave enough margin of safety for adverse economic situations. We will continue to work hard to accomplish this.

#### Nitin Bajaj

Portfolio Manager  
27 September 2018



# Top 10 Holdings

as at 31 July 2018

(based on Gross Asset Exposure expressed as a percentage of Total Shareholders' Funds)

## Industry Information Technology



### Power Grid Corporation of India

#### Position size

3.2%

Power Grid is India's largest electric power transmission utility, transmitting around 50% of the total power generated in India. Its transmission network spans the length and breadth of the country, and as at 31 July 2018, the company owned 148,754 circuit kms of transmission lines. It also provides transmission related consultancy to more than 150 domestic clients, with a global footprint in over 20 countries, and it operates a Telecom business known as POWERTEL, which owns around 47,735 kms of telecommunications network.

## Industry Information Technology



### China Mobile

#### Position size

3.0%

China Mobile, together with its subsidiaries, comprise the leading telecommunications services provider in mainland China. It provides full communications across the country through its nationwide mobile telecommunications network. It is the world's largest mobile phone operator by network and customer base, with around 887 million mobile customers and 113 million wireline broadband customers as at 31 December 2017.

## Industry Consumer Discretionary



### BOC Aviation

#### Position size

2.5%

BOC Aviation is a global aircraft operating leasing company. The company was founded in 1993, but was acquired by the Bank of China in 2006, at which point its name was changed to BOC Aviation. In the same year, the company was listed on the Main Board of the Stock Exchange of Hong Kong.

## Industry Financials



### LIC Housing Finance

#### Position size

2.1%

LIC Housing Finance is one of the largest housing finance companies in India. It focuses on supporting individuals financially when purchasing residential property. It primarily offers loans to those seeking to buy their own houses or flats, but also offers loans on existing properties. The company is registered in Mumbai, with several other offices across India and owns around 275 marketing offices.

## Industry Financials



### Housing Development Finance Corporation ("HDFC")

#### Position size

2.1%

HDFC is another leading provider of housing finance in India. It was founded in 1977, pioneering the housing finance industry in India. Since then, it has financed 6.2 million cumulative units and managed over 1.8 million deposit accounts. HDFC also operates over a broad range of financial services, including banking, insurance, asset management, and more. HDFC and its associate and subsidiary companies (including HDFC Bank) generally hold a significant market share over their respective sectors.

Industry Financials



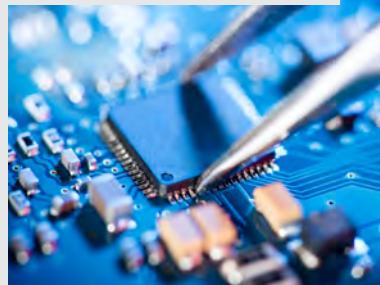
## HDFC Bank

Position size

1.8%

HDFC Bank is a subsidiary company of HDFC, and is one of India's leading private-sector banks. It focuses on three key business segments. The first is wholesale banking, where it concentrates on large manufacturing companies; the second is treasury, where it focuses on foreign exchange and derivatives, local currency money market and debt securities, and equities; and the third is retail banking.

Industry Consumer Discretionary



## Taiwan Semiconductor Manufacturing Company ("TSMC")

Position size

1.8%

TSMC is the world's largest semiconductor foundry, manufacturing 9,920 different products as at 2017. TSMC is also the main chip supplier of Apple products. The company is listed on the Taiwan Stock Exchange as well as the New York Stock Exchange. It maintains its global presence with offices based in North America, Europe, Japan, China, South Korea, and its headquarters in Taiwan.

Industry Financials



## Bank Rakyat Indonesia

Position size

1.7%

Bank Rakyat Indonesia is a leading Indonesian bank, and the country's most profitable lender. It focuses on micro, small, and medium-scale business segments. The bank can trace its history back to 1895, procuring over 120 years of banking experience in that time, and has since become the leading player in microfinance in Indonesia.

Industry Consumer Discretionary



## LT Group

Position size

1.7%

LT Group is a Philippines-based company with a diversified portfolio of underlying businesses, investing in areas such as beverages, real estate, tobacco and banking. The company has a long history and was initially incorporated in 1937 as The Manila Wine Merchants. Since then it has made a number of significant acquisitions of consumer-focused businesses.

Industry Consumer Discretionary



## Cognizant Technology Solutions

Position size

1.5%

Cognizant Technology Solutions is a multinational professional services company, providing services in IT, digital and technology. It primarily provides IT consulting and wider technology services across North America, Europe, and Asia. It is based in New Jersey, USA, and is included in the NASDAQ-100 and S&P 500 indices.



# Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9 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 capital growth principally from the stockmarkets of the Asian Region excluding Japan.

## Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of investments. 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. The Portfolio Manager aims to achieve a total return on the Company's net assets over the longer term in excess of the equivalent return on the MSCI All Countries Asia ex Japan Index, the Company's Comparative Index. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 July 2018.

## Investment Management Philosophy, Style and Process

The portfolio is built on a stock by stock basis following the Portfolio Manager's assessment of the fundamental value available in individual securities, with geographical weightings the result of stock selection, rather than macroeconomic considerations. The portfolio's geographical weightings may vary significantly from the weightings within its Comparative Index and the concentration on the identification of fundamental value in individual stocks within the Asian Region excluding Japan may result in investments made against prevalent trends and local conventions. The Portfolio Manager invests in securities of companies which he considers to have fundamental value.

## Investment Policy

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities and instruments issued by or related to companies listed on the stockmarkets in the Asian Region excluding Japan but investments may be

made in companies listed elsewhere, which in the opinion of the Portfolio Manager, have significant interests in the Asian Region, excluding Japan.

In order to diversify the Company's portfolio, the Board has set broad guidelines for the Manager, which the Board reserves the right to amend as it sees fit, in respect of the country weightings of the portfolio. The Company may invest directly in the shares of companies or indirectly through equity related instruments (such as derivative contracts, warrants or convertible bonds) and in debt instruments. The Company may also invest in unquoted securities and in other investment funds, subject to the investment restrictions set out below.

No material change will be made to the investment policy without shareholder approval.

## Investment Restrictions

The Company will invest and manage its assets with an objective of spreading risk with the following investment restrictions:

- No single or aggregate investment in any one company or other investment entity shall represent more than 10% of its Gross Assets, measured at the time of any investment.
- Up to 5% of its Gross Assets, at the time of investment, in securities which are not listed on any stock exchange. However the Portfolio Manager will not normally make any such investment, except where it is expected that the securities will become listed on a stock exchange in the foreseeable future.
- Up to 15% of its Gross Assets, at the time of investment, in other investment funds (whether listed or unlisted) where such funds offer the only practicable means of gaining exposure to a particular market in the Asian Region\* excluding Japan. Within this limit, no more than 10% of Gross Assets, at the time of investment, may be invested in funds that do not have stated policies to invest more than 15% of their Gross Assets in other listed closed-ended funds.
- Up to 5% of its Gross Assets, at the time of investment, in securities which are not listed or domiciled in the Asian Region\*, provided the investments have a strong Asian Region\* rationale.

\* *Asian Region means the continent of Asia (including Hong Kong, South Korea, Thailand, Singapore, Malaysia, Taiwan, Indonesia, Philippines, China, India, Pakistan and Sri Lanka, but excluding Japan, the countries comprising the former U.S.S.R. and the Middle East), together with Australasia.*

The Company is permitted to invest in Non-Voting Depositary Receipts, American Depositary Receipts, Global Depositary Receipts and Equity Linked Notes. Any such investment will be included in the relevant aggregate country weighting.

## Use of Derivative Instruments

In order to meet its investment objective, the Company may utilise derivative instruments, including index-linked notes, futures, contracts for differences ("CFDs"), call options (including covered calls), put options and other equity related derivative instruments.

Derivatives usage will focus on, but will not be limited to the following investment strategies:

- As an alternative form of gearing to bank loans. The Company can enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs. The Company does not currently use bank borrowings for gearing purposes.
- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at reasonable costs.
- To enhance the investment returns by taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

The Board has created strict policies and exposure limits and sub-limits to manage derivatives.

Derivative use is limited in terms of the value of the total portfolio to which the Company is exposed, whether through direct or indirect investment. The Board adopts the policy that:

- Net Market Exposure will not exceed the NAV of the Company by more than 30%; and
- Gross Asset Exposure will not exceed the NAV of the Company by more than 40%.

Notwithstanding the Board's intention in the medium to long term to maintain a Net Market Exposure within a range of between 90%-115%, in the short term the Net Market Exposure may fall outside of this range from time to time, having regard to the Portfolio Manager's investment style and philosophy as well as the markets he operates in. The sum of all short exposures of the Company under derivatives, excluding hedges, will not exceed 10% of total net assets.

The majority of the Company's exposure to equities will be through direct investment and not through derivatives. In addition, the limits on exposure to individual companies and groups are calculated after translating all derivative exposures into economically equivalent amounts of the underlying assets.

### Dividend Policy

In order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its income in any reporting year. The Company currently only pays dividends out of revenue reserves.

### Performance

The Company's performance for the year ended 31 July 2018, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company, are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9. The Forty Largest Holdings, the Distribution of the Portfolio, the Ten Year Record and the Summary of Performance Charts are on pages 17 to 25.

The Board recognises that investing in equities is a long term process and the Company's returns will vary from year to year.

### Results and Dividends

The Company's results for the year ended 31 July 2018 are set out in the Income Statement on page 46. The net return on ordinary activities after taxation for the year was £6.8 million, of which the revenue return was £3.9 million. This equates to a basic return per ordinary share of 9.93 pence of which the revenue return was 5.70 pence.

The Directors recommend that a dividend of 5.50 pence (2017: 5.00 pence) per ordinary share be paid on 17 December 2018 to shareholders who appear on the share register as at the close of business on 12 October 2018 (ex-dividend date 11 October 2018).

### Key Performance Indicators

The key performance indicators ("KPIs") used to describe the performance of the Company and which are comparable to those reported by the other investment companies are set out below.

	Year ended 31 July 2018 %	Year ended 31 July 2017 %
NAV per ordinary share total return – undiluted	<b>+2.2</b>	+19.3
Ordinary share price total return	<b>+8.2</b>	+24.9
MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms)	<b>+5.7</b>	+28.2
Discount to NAV – undiluted	<b>1.8</b>	7.0
Ongoing Charges*	<b>1.17</b>	1.22

\* The Board has a policy of ensuring that the costs of running the Company are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs set out above, the Board also monitors the Company's performance against its peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 23 to 25 show this performance.

### Principal Risks and Uncertainties and Risk Management

As required by provision C.2.1 of the 2016 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. 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 risks that the Company faces. 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 risks, is updated and reviewed regularly in the form of comprehensive reports considered by the

# Strategic Report continued

Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the

principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company. There have been no changes to these since the prior year.

Principal Risks	Description and Risk Mitigation
<b>Market risk</b>	<p>The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, and exchange rate movements. Political change or protectionism can also impact the Company's assets, such as a US-led trade war, North Korean conflict and Brexit risks. Further commentary on these risks is contained in the Portfolio Manager's Review and his success or failure to protect and increase the Company's assets against this background is core to the Company's continued success.</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 59 to 65 together with summaries of the policies for managing these risks.</p>
<b>Performance risk</b>	<p>The achievement of the Company's performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Comparative Index. The Board reviews the performance of the portfolio against the Comparative Index and that of its competitors and the outlook for the markets with the Portfolio Manager at each Board meeting. It considers the asset allocation of the portfolio and a range of risk measures within the parameters of the investment objective and strategy. The Portfolio Manager is responsible for actively managing and monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term performance as the Company risks volatility of performance in the shorter term.</p>
<b>Discount control risk</b>	<p>The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.</p>
<b>Gearing risk</b>	<p>The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. The principal risk is that while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.</p>
<b>Derivatives risk</b>	<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 a 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. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further details on derivative instruments risk is included in Note 17 to the Financial Statements on pages 59 to 65.</p>
<b>Currency risk</b>	<p>The functional currency and presentational currency of the Company in which it reports its results is Sterling. Most of its assets and its income are denominated in other currencies. Consequently, it is subject to currency risk on exchange rate movements between Sterling and these other currencies. It is the Company's current policy not to hedge currency risks against its own base currency.</p> <p>Further details can be found in Note 17 to the Financial Statements on pages 59 to 65.</p>



Other risks facing the Company include:

### Cybercrime risk

The risk posed by cybercrime is rated as significant 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.

### Tax and Regulatory risks

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

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

### Operational risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. They are subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns investigated.

### Continuation Vote

A continuation vote takes place every five years. There is a risk that shareholders do not vote in favour of continuation during periods when performance is poor. The next continuation vote will be at the AGM in 2021.

### Viability Statement

In accordance with provision C.2.2 of the 2016 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 capital growth. 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 principal risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to the NAV;

- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been strong over the five year reporting period to 31 July 2018, with a NAV total return of 89.6%, a share price total return of 110.6% and a Comparative Index return of 66.0%. The Board regularly reviews the investment policy and considers it to be appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on page 27. The Company is also subject to a continuation vote at the AGM in 2021 and the Board expect that the vote, when due, will be approved.

### Board Diversity

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 July 2018, there were four male Directors and one female Director on the Board.

### Employees, Social, Community and Human Rights Issues

The Company has no employees. All its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to make in respect of employees.

The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) encourages Environmental, Social and Governance ("ESG") factors in its investment decision making process. It 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.

The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated. As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

# Strategic Report continued

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report.

## Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measureable carbon footprint. FIL Investment Services (UK) Limited and FIL Investments International are registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

## 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. Consequently, its investment process takes social, environmental and ethical issues into account when, in the Manager's view, these have a material impact on either investment risk or return.

## 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. Unless there are any particularly controversial issues (which are then referred to the Board), it delegates the responsibility for corporate engagement and shareholder voting to the Manager. These activities are reviewed regularly by the Manager's corporate governance team and reported to the Board on at least an annual basis. Further details of the Manager's policy on corporate engagement can be found at [www.fidelity.co.uk](http://www.fidelity.co.uk).

## 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. The factors likely to affect the Company's future development, performance and positions are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9.

By order of the Board

**FIL Investments International**

Secretary

27 September 2018

# Forty Largest Holdings

as at 31 July 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.

	Gross Asset Exposure		Balance Sheet Value
	£'000	% <sup>1</sup>	£'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Power Grid Corporation of India</b> Operator of the Indian national electricity grid	9,284	3.2	9,284
<b>China Mobile (shares and long CFD)</b> Provider of telecommunication services in China	8,672	3.0	7,859
<b>BOC Aviation</b> Global aircraft operating leasing company	7,233	2.5	7,233
<b>LIC Housing Finance</b> Provider of long term finance for construction & renovation of houses & flats for residential purposes	5,989	2.1	5,989
<b>Housing Development Finance Corporation</b> Provider of housing finance to individual households and corporates in India	5,978	2.1	5,978
<b>HDFC Bank</b> Private sector bank	5,120	1.8	5,120
<b>Taiwan Semiconductor Manufacturing Company</b> Developer, manufacturer and distributor of semiconductor related products	5,106	1.8	5,106
<b>Bank Rakyat Indonesia</b> Government bank	4,867	1.7	4,867
<b>LT Group</b> Banking, beverages, spirits, tobacco and property development group	4,728	1.7	4,728
<b>Cognizant Technology Solutions</b> Provider of IT, digital and technology services	4,325	1.5	4,325
<b>Indiabulls Housing Finance</b> Mortgage lender	3,932	1.4	3,932
<b>Convenience Retail Asia</b> Convenience store chain operator	3,756	1.3	3,756
<b>Dream International</b> Toy designer, manufacturer and seller	3,706	1.3	3,706
<b>Fufeng Group</b> Bio-fermentation products manufacturer	3,647	1.3	3,647
<b>Coal India</b> Coal mining company	3,513	1.2	3,513
<b>Redington India</b> Distributor of information technology products, mobile handsets and accessories	3,483	1.2	3,483
<b>Huaneng Renewables (shares and long CFD)</b> Developer and operator of renewable power plants	3,450	1.2	2,615
<b>Daewon Pharmaceutical</b> Manufacturer and seller of pharmaceutical products	3,270	1.1	3,270
<b>KASIKORNBANK</b> Commercial bank	3,236	1.1	3,236
<b>Sebang Global Battery</b> Battery manufacturer	3,226	1.1	3,226



# Forty Largest Holdings continued

	Gross Asset Exposure		Balance Sheet Value
	£'000	% <sup>1</sup>	£'000
<b>First Resources</b>			
Palm oil producer	3,053	1.1	3,053
<b>Ascendas India Trust</b>			
Real estate investment company	3,004	1.0	3,004
<b>Cooper Energy</b>			
Exploration and development of oil and gas	2,987	1.0	2,987
<b>Manila Water Company</b>			
Provider of water and wastewater services	2,935	1.0	2,935
<b>Energy Development</b>			
Producer of geothermal energy	2,899	1.0	2,899
<b>TMB Bank</b>			
Commercial bank	2,868	1.0	2,868
<b>ASE Technology Holding</b>			
Semiconductor developer and manufacturer	2,746	1.0	2,746
<b>Interjo</b>			
Contact lens manufacturer	2,712	0.9	2,712
<b>Tianneng Power International</b>			
Manufacturer of storage batteries	2,667	0.9	2,667
<b>SK Hynix</b>			
Memory semiconductor supplier of dynamic random-access memory chips and flash memory chips	2,591	0.9	2,591
<b>CITIC Telecom International</b>			
Telecommunication vendor	2,588	0.9	2,588
<b>Samsung Fire &amp; Marine Insurance</b>			
Insurance company	2,522	0.9	2,522
<b>Chaowei Power</b>			
Manufacturer and seller of lead-acid motive batteries	2,441	0.9	2,441
<b>Shemaroo Entertainment</b>			
Film and media producer	2,418	0.8	2,418
<b>Tempo Scan Pacific</b>			
Pharmaceutical, health care and cosmetic products manufacturer and distributor	2,406	0.8	2,406
<b>Tisco Financial Group</b>			
Auto finance bank	2,406	0.8	2,406
<b>Gudang Garam</b>			
Cigarette manufacturer and distributor	2,398	0.8	2,398
<b>Shine</b>			
Mobile phone security devices provider	2,326	0.8	2,326
<b>Mangalore Refinery and Petrochemicals</b>			
Oil refinery	2,301	0.8	2,301
<b>John Keells Holdings</b>			
Public conglomerate	2,234	0.8	2,234
<b>Top forty long exposures</b>	<b>149,023</b>	<b>51.7</b>	<b>147,375</b>
Other long exposures	127,542	44.3	126,297
<b>Total long exposures before hedges (159 holdings)</b>	<b>276,565</b>	<b>96.0</b>	<b>273,672</b>

	Gross Asset Exposure		Balance Sheet Value
	£'000	% <sup>1</sup>	£'000
<b>Less: hedging exposures</b>			
KOSPI 200 Index December 2018 (put option)	(2,847)	(1.0)	162
Hang Seng Index December 2018 (put option)	(1,974)	(0.7)	163
S&P CNX Nifty Index December 2018 (put option)	(72)	-	-
KOSPI 200 Index December 2018 (put option)	(23)	-	-
Hang Seng Index December 2018 (put option)	(2)	-	16
KOSPI 200 Index September 2018 (put option)	-	-	-
Forward Currency Contracts	(95)	-	(95)
<b>Total hedging exposures</b>	<b>(5,013)</b>	<b>(1.7)</b>	<b>246</b>
<b>Total long exposures after the netting of hedges</b>	<b>271,552</b>	<b>94.3</b>	<b>273,918</b>
<b>Add: short exposures</b>			
Short CFDs (16 holdings)	13,620	4.7	365
<b>Gross Asset Exposure<sup>2</sup></b>	<b>285,172</b>	<b>99.0</b>	
<b>Portfolio Fair Value<sup>3</sup></b>			<b>274,283</b>
Net current assets (excluding derivative assets and liabilities)			13,691
<b>Total Shareholders' Funds/Net assets</b>			<b>287,974</b>

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

2 Gross Asset Exposure comprises market exposure to shares of £273,714,000 (per Note 10: Investments on page 55) plus market exposure to derivative instruments of 11,458,000 (per Note 11: Derivative Instruments on page 56).

3 Portfolio Fair Value comprises Investments of £273,714,000 plus derivative assets of £1,529,000 less derivative liabilities of £960,000 (per the Balance Sheet on page 48).

A full list of the Company's holdings as at 31 July 2018 is available on the Company's page of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

# Distribution of the Portfolio

as at 31 July 2018

(Gross Asset Exposure expressed as a percentage of Total Shareholders' Funds)

Portfolio	China %	India %	South Korea %	Indonesia %	Taiwan %	Other %	2018 Total %	2018 Index* %	2017 Total %
<b>Financials</b>									
Banks	-	1.8	0.7	2.2	-	3.4	8.1	14.6	6.2
Diversified Financial Services	-	5.8	-	0.7	-	-	6.5	1.7	3.5
Real Estate Management & Development	0.5	-	-	-	-	3.0	3.5	5.2	4.7
Insurance	-	-	3.0	-	-	-	3.0	5.4	2.3
Capital Markets	-	-	0.3	-	-	-	0.3	-	0.4
Real Estate Investment Trusts (REITs)	-	-	-	-	-	-	-	0.8	0.5
	<b>0.5</b>	<b>7.6</b>	<b>4.0</b>	<b>2.9</b>	<b>-</b>	<b>6.4</b>	<b>21.4</b>	<b>27.7</b>	17.6
<b>Consumer Discretionary</b>									
Auto Components	2.5	-	1.1	0.8	-	0.3	4.7	3.1	3.5
Textiles, Apparel & Luxury Goods	1.2	-	0.3	-	-	1.6	3.1	0.9	5.6
Diversified Consumer Services	0.3	-	-	-	-	2.0	2.3	3.2	3.6
Leisure Equipment & Products	0.2	-	-	-	0.1	1.6	1.9	0.1	1.5
Specialty Retail	-	-	-	-	-	1.7	1.7	1.8	4.6
Automobiles	1.4	-	-	-	-	-	1.4	0.1	-
Media	-	1.2	-	-	-	0.2	1.4	0.3	1.0
Multiline Retail	-	-	-	-	-	0.4	0.4	0.2	0.7
Internet & Catalogue Retail	-	-	-	-	-	-	-	1.0	-
Distributors	-	-	-	-	-	-	-	0.1	-
	<b>5.6</b>	<b>1.2</b>	<b>1.4</b>	<b>0.8</b>	<b>0.1</b>	<b>7.8</b>	<b>16.9</b>	<b>10.8</b>	20.5
<b>Industrials</b>									
Transportation	2.8	-	-	-	-	0.6	3.4	0.4	2.0
Industrial Conglomerates	-	-	-	-	-	3.0	3.0	2.7	3.5
Commercial & Professional Services	-	-	-	0.4	1.1	1.0	2.5	0.2	5.2
Construction & Engineering	0.4	-	0.4	0.4	-	0.6	1.8	1.7	1.0
Transportation Infrastructure	0.9	-	-	0.3	-	0.5	1.7	1.3	0.8
Machinery	0.5	-	-	-	-	-	0.5	0.1	-
Electrical Equipment	-	-	-	-	0.1	-	0.1	0.2	0.4
	<b>4.6</b>	<b>-</b>	<b>0.4</b>	<b>1.1</b>	<b>1.2</b>	<b>5.7</b>	<b>13.0</b>	<b>6.6</b>	12.9



Portfolio	China %	India %	South Korea %	Indonesia %	Taiwan %	Other %	2018 Total %	2018 Index* %	2017 Total %
<b>Consumer Staples</b>									
Food Products	0.7	-	-	1.6	-	2.6	4.9	1.5	3.8
Food & Staples Retailing	-	-	-	0.8	-	1.3	2.1	1.2	3.2
Beverages	-	-	-	-	-	1.0	1.0	0.3	2.2
Tobacco	-	-	-	0.8	-	-	0.8	0.7	1.1
Household Products	0.6	-	-	-	0.1	-	0.7	0.5	0.7
Personal Products	0.3	-	-	-	-	-	0.3	0.8	2.0
	<b>1.6</b>	<b>-</b>	<b>-</b>	<b>3.2</b>	<b>0.1</b>	<b>4.9</b>	<b>9.8</b>	<b>5.0</b>	13.0
<b>Information Technology</b>									
Electronic Equipment & Instruments	-	1.2	-	-	2.8	-	4.0	9.3	9.2
Semiconductor Equipment & Products	-	-	0.8	-	3.1	-	3.9	6.5	3.3
Internet Software & Services	-	-	-	-	-	1.5	1.5	15.2	3.7
Software	-	-	-	-	-	-	-	0.3	0.2
	<b>-</b>	<b>1.2</b>	<b>0.8</b>	<b>-</b>	<b>5.9</b>	<b>1.5</b>	<b>9.4</b>	<b>31.3</b>	16.4
<b>Utilities</b>									
Electric Utilities	-	3.2	0.6	-	-	0.4	4.2	1.4	4.7
Other Utilities	1.2	0.4	-	0.6	-	1.0	3.2	0.6	0.4
Gas Utilities	0.5	0.5	-	-	-	-	1.0	1.1	1.1
Water Utilities	-	-	-	-	-	0.9	0.9	0.2	-
	<b>1.7</b>	<b>4.1</b>	<b>0.6</b>	<b>0.6</b>	<b>-</b>	<b>2.3</b>	<b>9.3</b>	<b>3.3</b>	6.2
<b>Health Care</b>									
Health Care Providers & Services	1.2	-	1.3	-	0.4	0.2	3.1	0.6	4.4
Pharmaceuticals	0.6	-	1.6	0.8	-	-	3.0	1.4	2.9
Biotechnology	0.7	-	0.6	-	0.1	0.1	1.5	0.7	0.4
Life Sciences Tools & Services	-	-	-	-	0.1	-	0.1	0.3	-
	<b>2.5</b>	<b>-</b>	<b>3.5</b>	<b>0.8</b>	<b>0.6</b>	<b>0.3</b>	<b>7.7</b>	<b>3.0</b>	7.7
<b>Energy</b>									
Oil, Gas & Consumable Fuels	-	2.0	-	-	-	2.5	4.5	4.2	3.1
	<b>-</b>	<b>2.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>4.5</b>	<b>4.2</b>	3.1

# Distribution of the Portfolio continued

as at 31 July 2018

(Gross Asset Exposure expressed as a percentage of Total Shareholders' Funds)

Portfolio	China %	India %	South Korea %	Indonesia %	Taiwan %	Other %	2018 Total %	2018 Index* %	2017 Total %
<b>Materials</b>									
Chemicals	1.8	-	-	-	0.3	-	2.1	2.0	0.3
Containers & Packaging	0.7	0.4	-	-	-	-	1.1	0.2	0.9
Construction Materials	0.5	-	-	0.2	-	-	0.7	1.9	1.2
Metals & Mining	-	-	-	-	-	0.5	0.5	0.5	0.4
	<b>3.0</b>	<b>0.4</b>	<b>-</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>4.4</b>	<b>4.6</b>	<b>2.8</b>
<b>Telecommunications Services</b>									
Wireless Telecommunication Services	3.0	-	-	-	-	0.4	3.4	2.1	0.3
Diversified Telecommunication Services	-	-	-	-	-	0.9	0.9	1.4	0.2
	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>4.3</b>	<b>3.5</b>	<b>0.5</b>
<b>Exposure before hedging</b>	<b>22.5</b>	<b>16.5</b>	<b>10.7</b>	<b>9.6</b>	<b>8.2</b>	<b>33.2</b>	<b>100.7</b>		
Less - hedging exposures			(1.0)			(0.7)	(1.7)		(3.0)
<b>Gross Asset Exposure - 2018</b>	<b>22.5</b>	<b>16.5</b>	<b>9.7</b>	<b>9.6</b>	<b>8.2</b>	<b>32.5</b>	<b>99.0</b>		
<b>Index - 2018</b>	<b>35.8</b>	<b>10.3</b>	<b>16.2</b>	<b>-</b>	<b>13.6</b>	<b>24.1</b>		<b>100.0</b>	
Total Gross Asset Exposure - 2017	13.2	18.4	9.7	<b>9.0</b>	13.8	<b>33.6</b>			97.7

\* MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms), the Company's Comparative Index.

# Ten Year Record

For the year ended 31 July	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Asset Exposure (£m) <sup>1</sup>	<b>285.2</b>	273.7	232.0	162.9	192.3	167.4	123.8	146.2	121.8	98.1	136.4
Shareholders' Funds (£m)	<b>288.0</b>	280.2	237.5	178.9	172.8	155.8	117.1	141.3	117.2	92.1	135.9
NAV per Ordinary Share – undiluted (p)	<b>419.36</b>	415.17	351.98	265.14	255.99	230.24	195.40	229.21	192.19	151.18	131.78
NAV per Ordinary Share – diluted (p)	<b>413.64<sup>2</sup></b>	407.77 <sup>2</sup>	n/a	n/a	n/a	n/a	194.70 <sup>3</sup>	223.20 <sup>3</sup>	191.99 <sup>3</sup>	n/a	n/a
Ordinary Share Price (p)	<b>412.00</b>	386.00	313.00	236.88	224.00	204.50	176.00	202.63	175.75	142.25	119.00
Subscription Share Price (p)	<b>23.50</b>	29.50	n/a	n/a	n/a	n/a	6.75	27.13	19.00	n/a	n/a
Discount – undiluted (%)	<b>1.8</b>	7.0	11.1	10.7	12.5	11.2	9.9	11.6	8.6	5.9	9.7
Discount – diluted (%)	<b>0.4<sup>2</sup></b>	5.3 <sup>2</sup>	n/a	n/a	n/a	n/a	9.6 <sup>3</sup>	9.2 <sup>3</sup>	8.5 <sup>3</sup>	n/a	n/a
Revenue return per Ordinary Share (p)	<b>5.70</b>	6.08	5.36	2.26	1.14	1.05	1.45	0.85	0.27	1.49	1.43
Dividend per Ordinary Share (p)	<b>5.50</b>	5.00	4.50	2.00	1.10	1.10	1.00	1.00	nil	1.00	0.81
Cost of running the Company (ongoing charges) (%)	<b>1.17</b>	1.22	1.33	1.42	1.50	1.55	1.46	1.47	1.52	1.65	1.34
Gearing (%) <sup>4</sup>	<b>(1.0)</b>	(2.3)	(2.3)	(9.0)	11.3	7.4	5.7	3.5	3.9	6.5	0.3
NAV total return – undiluted (%)	<b>+2.2</b>	+19.3	+33.8	+4.0	+11.7	+18.4	-14.3	+19.3	+27.8	+15.7	-15.6
NAV total return – diluted (%)	<b>+2.7<sup>2</sup></b>	+17.2 <sup>2</sup>	n/a	n/a	n/a	n/a	-12.3 <sup>3</sup>	+16.3 <sup>3</sup>	+27.7 <sup>3</sup>	n/a	n/a
Ordinary Share Price total return (%)	<b>+8.2</b>	+24.9	+33.3	+6.2	+10.1	+16.8	-12.6	+15.3	+24.3	+20.6	-13.0
Comparative Index total return (%) <sup>5</sup>	<b>+5.7</b>	+28.2	+15.8	+0.3	+5.4	+12.0	-6.6	+16.3	+19.8	+11.0	-10.7

1 The value of the portfolio exposed to market price movements. The values prior to 2013 represent total assets less current liabilities, excluding bank loans.

2 The dilution relates to the subscription shares that were issued on 2 December 2016 (per Note 16 on page 58).

3 The dilution relates to the subscription share offer that closed in June 2013.

4 Gross Asset Exposure (less than)/in excess of Total Shareholders' Funds expressed as a percentage of Total Shareholders' Funds (see Note 18 on page 66).

5 The Company's Comparative Index since 1 August 2015 is the MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms). Prior to that date, it was the MSCI All Countries Far East ex Japan Index (net) (in Sterling terms).

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

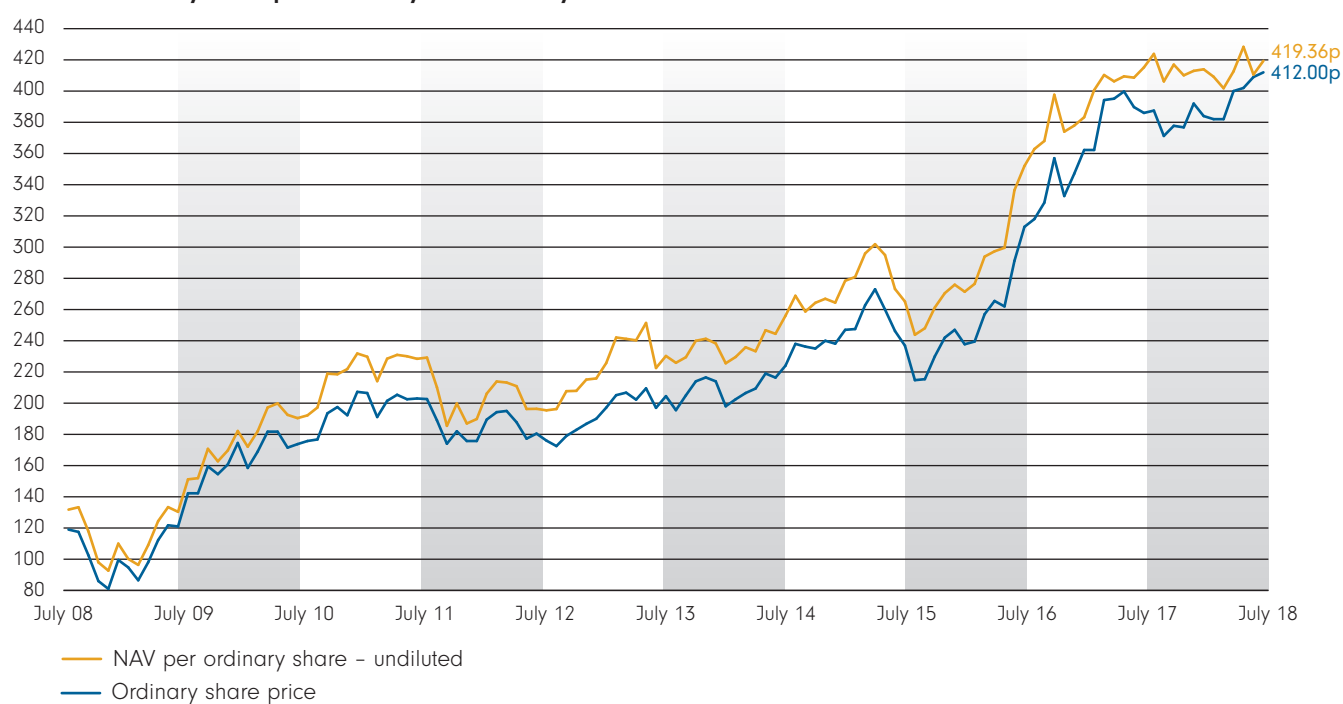


# Summary of Performance Charts

## Total Return performance for ten years to 31 July 2018



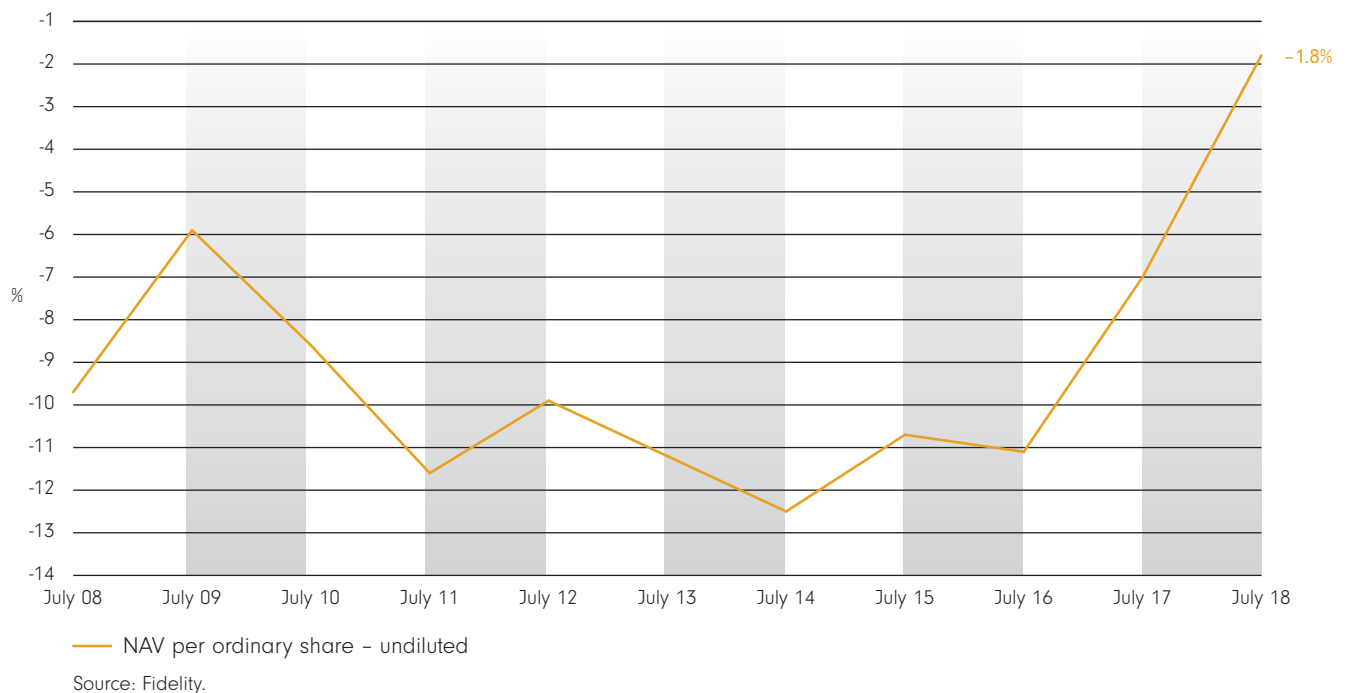
## NAV and ordinary share price for ten years to 31 July 2018



### Total return performance relative to the Comparative Index for ten years to 31 July 2018



### Discount to NAV for ten years to 31 July 2018



# Board of Directors



**Kate Bolsover**

Chairman (since 9 December 2014)

Appointed 1 January 2010



Kate Bolsover is a non-executive Director of Montanaro UK Smaller Companies Investment Trust PLC. She was the Chairman of Tomorrow's People Trust Limited and a Director of a number of affiliated companies. She retired from the Board of JPMorgan American Investment Trust plc on 30 September 2016. She worked for Cazenove Group plc and J.P. Morgan Cazenove between 1995 and 2005 where she was Managing Director of the mutual fund business, and latterly Director of Corporate Communications. Prior to this, her work involved business development and mutual funds experience covering countries in the Far East.



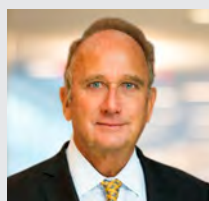
**Timothy Scholefield**

Director

Appointed 30 September 2015



Timothy Scholefield is a non-executive Director of F&C Capital and Income Investment Trust PLC and Standard Life UK Smaller Companies plc. He is Chairman of City Merchants High Yield Trust Ltd and of the Investment Management Certificate Panel. He is also a consultant to Livingbridge EP LLP. He has over thirty years' experience in investment management, latterly as Head of Equities at Baring Asset Management until April 2014. Prior to Baring, he was Head of International Equities at Scottish Widow Investment Partnership Limited. He spent 15 years at Royal & Sun Alliance Investments and rose to the position of Head of Worldwide Equities.



**Philip Smiley**

Senior Independent Director

(since 30 November 2015)

Appointed 1 January 2010



Philip Smiley is a Director of the Arisaig India Fund. He is Chairman of the PXP Vietnam Emerging Equity Fund Limited and also of the Advisory Board of the Emerging Beachfront Land Investment Fund G.P. Limited. He has 31 years of experience of working in the Asia Pacific region, including several years with the Hong Kong Government (Civil Service Branch and the Economic Services Branch) followed by five years with the W.I. Carr Group, latterly as Managing Director of W.I. Carr (Far East) Limited in Hong Kong and group Director of Finance in London. Between 1991 and 2001 he was Managing Director and country Head of Jardine Fleming in Korea, where he was also elected Chairman of the British Chamber of Commerce, and then in Singapore, where he was appointed to the Stock Exchange Review Committee. From 2001 to 2005 he was group country Chairman of Jardine Matheson in Thailand and Indochina.



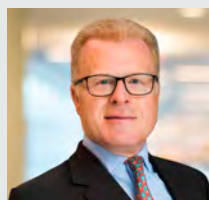
**Grahame Stott**

Director

Appointed 24 September 2013



Grahame Stott is a non-executive Director and Chairman of the Audit Committee and the Remuneration Committee of China Motor Bus Company Limited and a Consultant of Asian Development Bank. He is a qualified Actuary and holds the ACCA Advanced Diploma in Accounting and Business. He has considerable consultancy experience and insight into the intermediary market. He spent 20 years at Watson Wyatt in Hong Kong, during which time he became the regional Director for 12 countries across Asia Pacific. He also served as the Head of Watson Wyatt's Global Investment Consulting Business. His background is in working with fast growing listed companies.



**Michael Warren**

Director

Appointed 29 September 2014



Michael Warren is a non-executive Director of Carrington Investments and a Quoted Operating Partner of Livingbridge VC LLP. He is a past non-executive Director of Liontrust Panthera, Alquity Investment Management Ltd and Vindependents. He worked for Thames River Capital from 2007 until 2012 as Investment Director. Prior to that he worked at HSBC Investments, where he was responsible for Institutional and Retail distribution, and before that at Deutsche Asset Management, where he was a main board member. Latterly, he has served as Managing Director of the UK mutual fund business, DWS.

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

## Committee membership key

Audit Management Engagement Nomination Committee Chair



# Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 July 2018.

The Company was incorporated in England and Wales as a public limited company on 2 April 1996 under the registered number 3183919 and commenced business as an investment trust on 13 June 1996.

## 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 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. It 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.

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on pages 31 and 32.

## Fee Arrangement

For the year ended 31 July 2018, the Company's annual management fee was charged on a tiered pricing structure which was 0.90% on the first £200 million of gross assets and 0.85% on gross assets over £200 million. In addition, the Company paid the Manager a secretarial and administration fee of £75,000 per annum. Fees were calculated and paid quarterly.

## Revised Fee Arrangement

As mentioned in the Chairman's Statement, and effective from 1 August 2018, the Company has adopted a new fee arrangement which provides an overall reduction from the tiered fee structure.

The variable management fee ("VMF") will be calculated daily by referencing the performance of the Company's NAV to the performance of the MSCI All Countries Asia ex Japan Index (net) total return in Sterling terms (the Company's Comparative Index). Under the VMF structure, the revised base management fee will be 0.70% of net assets. The period used to assess the performance will be the lesser of: (i) the time since 1 August 2018; or (ii) the previous 3 years (the "Performance Period").

The first three months, effective from 1 August 2018, will be charged solely at the base rate of 0.70% of net assets. This initial three month period will establish a performance history on which

the variable fee can be calculated, commencing on 1 November 2018, and building up, day by day to 3 years, after which the performance period will start to roll. The variable element of the fee will increase or decrease 0.033% for each percentage point of 3 year NAV per share outperformance or underperformance over the Comparative Index to a maximum of +0.20% or a minimum of -0.20%.

There are no limitations or restrictions on the Board's ability to buy back shares and any increase to NAV (performance attribution) from the repurchase or issue of shares will be removed from the fee calculation, so that the Manager cannot benefit from performance outside of portfolio management activities.

## The Board

All Directors served on the Board throughout the year ended 31 July 2018 and up to the date of this report. A brief description of all serving Directors is shown on page 26 and indicates their qualifications for Board membership.

## Directors' and Officers' Liability Insurance

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

## Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections, and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 15.

## Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 13 December 2018.

## 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 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 30 to 33.

# Directors' Report continued

## Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Asset Services (previously Capita Asset Services) 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, under a tri-partite agreement, as its Depositary, which is primarily responsible for the 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 52.

## Share Capital

The Company's share capital comprises ordinary shares of 25 pence each and subscription shares of 0.001 pence each, both of which are fully listed on the London Stock Exchange. As at 31 July 2018, the issued share capital of the Company was 68,669,402 ordinary shares (2017: 67,488,213) and 12,316,033 subscription shares (2017: 13,497,222). No shares are held in Treasury.

Each ordinary share in issue carries one vote. The subscription shares do not carry voting rights.

## 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 for holding in Treasury. The Board will only exercise these authorities if deemed to be in the best interests of shareholders at the time.

## Ordinary Share Issues

1,181,189 ordinary shares were issued on 30 November 2017, as a result of the first exercise of the rights attached to the subscription shares (2017: nil). No further shares have been issued since then and up to the date of this report. As at the date of this report, there are 12,316,033 subscription shares remaining to be exercised (2017: 13,497,222). The subscription share rights can be exercised annually in the 25 business days prior to the relevant subscription date. The next subscription date is on 30 November 2018 and the final date is on 29 November 2019.

The authorities to issue ordinary shares and to disapply pre-emption rights and to issue shares from Treasury expire at this year's AGM, therefore resolutions renewing these authorities will be put to shareholders at the AGM on 13 December 2018.

## Ordinary Share Repurchases

No ordinary shares were repurchased for cancellation or for holding in Treasury during the year ended 31 July 2018 (2017: nil) and none have been repurchased since then and as at the date of this report.

The authority to repurchase ordinary shares expires at the forthcoming AGM and a special resolution to renew the authority to purchase shares for cancellation, or to hold them in Treasury, will therefore be put to shareholders at the AGM on 13 December 2018.

## Subscription Share Repurchases

No subscription shares were repurchased for cancellation during the year ended 31 July 2018 and up to the date of this report.

The authority to repurchase subscription shares for cancellation expires at this year's AGM on 13 December 2018, and therefore a resolution will be put to shareholders at this AGM to renew the authority.

## Substantial Share Interests

As at 31 July 2018 and 31 August 2018, the shareholders listed below held more than 3% of the issued ordinary share capital of the Company.

	31 July 2018	31 August 2018
<b>Shareholders</b>		
Fidelity Platform Investors	<b>15.89</b>	15.85
Hargreaves Lansdown	<b>7.41</b>	7.45
Charles Stanley	<b>6.29</b>	6.38
Interactive Investor	<b>3.36</b>	3.39
Alliance Trust Savings	<b>3.34</b>	3.57
Rathbones	<b>3.30</b>	3.31

An analysis of ordinary shareholders as at 31 July 2018 is detailed in the table below.

Ordinary shareholders as at 31 July 2018	% of issued share capital
Private shareholders*	<b>85.61</b>
Pension funds	<b>10.26</b>
Insurance companies	<b>2.33</b>
Mutual Funds	<b>1.46</b>
Trading companies	<b>0.34</b>
<b>Total</b>	<b>100.00</b>

\* Includes Fidelity Platform Investors (15.89%).

## Additional Information required in the Directors' report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 12 to 16.

## 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 your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

#### **Fidelity Platform Investors**

If you hold your shares in the Company through the Fidelity platform, you have the right to attend the Company's AGM and vote on the proposed resolutions. Historically you would have received a Form of Direction and Attendance Card with instructions on how to vote in the post. Fidelity will no longer be providing paper forms of direction and the voting process will take place online. All Fidelity Platform Investors will receive a letter setting out the process.

#### **Paperless Proxy Voting**

Link Asset Services will also be providing an online process for voting on the resolutions to be proposed at the Company's AGM. Details of how this will work are included in the Notes to the Notice of Meeting on pages 70 and 71. There is an option to contact the Registrar to receive a paper proxy should this be preferred or required.

*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 13 December 2018, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 69 and 70, 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 £1,716,735. If passed, this resolution will enable the Directors to allot a maximum of 6,866,940 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury shares) as at 27 September 2018, 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 no less than 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 £1,716,735 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 27 September 2018 and equivalent to 6,866,940 ordinary shares).

#### **Authority to Repurchase Ordinary Shares**

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (10,293,543) of the ordinary shares in issue (excluding Treasury shares) on 27 September 2018, either for immediate cancellation or for retention as Treasury shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

#### **Authority to Repurchase Subscription Shares**

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (1,846,173) of the subscription shares in issue (none are held as Treasury shares) on 27 September 2018 for cancellation. Purchases of subscription shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions.

**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

27 September 2018

# 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 of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in 2016 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in 2016. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance 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 37, set out how the principles have been applied.

The AIC Code and the AIC Guide can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk) and the UK Code can be found on the FRC's website at [www.frc.org.uk](http://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. For the reasons set out in the AIC Guide, and as explained in the UK Code, 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.

## THE BOARD

### Board Composition

The Board, chaired by Kate Bolsover, consists of five non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of business in Asia 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.

Philip Smiley is the Senior Independent Director and fulfils the role of sounding board for the Chairman, intermediary for the other Directors as necessary and he acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all the Directors are on page 26.

## Board Responsibilities and Board Meetings

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 have arisen in the year under review.

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 31 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Manager are in attendance at these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board undertakes a due diligence trip to Asia every other year. During this trip, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. The Board also meets with Fidelity's research and analyst teams. Further information on the most recent trip can be found in the Chairman's Statement on page 3. The Board also holds a strategy meeting every other year that it is not in Asia for the due diligence trip. This allows an opportunity for the Board to focus on specific strategic matters.



	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Kate Bolsover	4/4	3/3	1/1	1/1
Timothy Scholefield	4/4	3/3	1/1	1/1
Philip Smiley	4/4	2/3	1/1	1/1
Grahame Stott	4/4	3/3	1/1	1/1
Michael Warren	4/4	2/3	1/1	1/1

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude ad hoc meetings for formal approvals as well as the due diligence trip to Asia.

Since the end of the reporting period, the Directors have also had a Management Engagement Committee meeting at which they reviewed the performance of the Manager and the terms of the Company's Management Agreement.

### 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 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. The Nomination Committee is responsible for identifying possible candidates. However, any proposal for a new Director is discussed and approved by the entire Board.

### Director Training

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

### Election and Re-Election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are accompanied by sufficient biographical details on page 26 to enable shareholders to make an informed decision. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

### Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken and takes the form of written questionnaires and discussions. The performance of the Chairman is evaluated by the other Directors. The results of these evaluations are discussed

by the Board and 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 these results. The Board considers tenure as one of the matters under review during the evaluation process. A Director may serve for more than nine years, provided that the Director is considered by the Board to continue to be independent. The Board has a policy that a Chairman must step down after nine years in that role but may remain thereafter as an independent Director, subject to annual re-election.

### Directors' Remuneration and Share Interests

Details of Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 35 and 36.

### BOARD COMMITTEES

The Board has three Committees through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee can be found on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

### Audit Committee

The Audit Committee is chaired by Grahame Stott and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 38 to 40.

### Management Engagement Committee

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

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the fee basis and also that of its peers. The Committee noted the Company's good long

# Corporate Governance Statement continued

term performance and the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the fee for the year ended 31 July 2018 and the revised fee structure effective from 1 August 2018 is in the Directors' Report on page 27.

## Nomination Committee

The Nomination Committee is chaired by Kate Bolsover and consists of all of the Directors. It meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as appropriate. It is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. The search for a candidate is carried out against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit and this process has led to a diverse Board membership. External consultants may be used to identify future potential candidates.

The Committee is responsible for succession planning for Directors' appointments.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continues to demonstrate commitment to their role. Accordingly, the Committee has recommended their continued service to the Board.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

Set out on page 37 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Independent Auditor has set out its reporting responsibilities within its report on pages 41 to 45.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual and half-yearly financial statements, other price sensitive public reports and reports to regulators, and to provide information required to be presented by statutory requirements. All such reports 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 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 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. 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. The review also includes consideration of similar internal controls reports issued by other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place 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 July 2018 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

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

### Whistle-Blowing Procedure

Part of the Manager's role in ensuring the provision of a good service, pursuant to the Management Agreement, includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "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 to 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 action 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.

### Responsibility as an Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity is a signatory to the UK Stewardship Code setting 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](http://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 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](mailto:investmenttrusts@fil.com) or write to the address provided on page 74. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM on 13 December 2018 at which they will have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Manager.

The Notice of Meeting on pages 69 to 71 sets out the business of the AGM and the special business resolutions are explained more fully on page 29 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

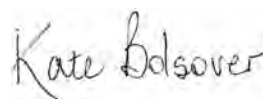
### Voting rights in the Company's shares

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

### Articles of Association

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

On behalf of the Board



**Kate Bolsover**

Chairman

27 September 2018

# Directors' Remuneration Report

## Chairman's Statement

The Directors' Remuneration Report for the year ended 31 July 2018 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 officer 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 both the Directors' Remuneration Report (excluding the Remuneration Policy) will be put to shareholders at the AGM on 13 December 2018. 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 41 to 45.

## Directors' Remuneration

The fee structure with effect from 1 August 2018 is as follows: Chairman: £34,000 (2017: £32,000); Chairman of the Audit Committee: £28,000 (2017: £26,500); and Directors: £25,000 (2017: £24,000). Increases in Directors' remuneration are made to ensure that fees remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

## The Remuneration Policy

The Remuneration Policy 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 last year's AGM, is set out below.

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 out-of-pocket 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. Directors fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual 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.

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 AGM and can be obtained from the Company's registered office.

The Company's Remuneration Policy will apply to new Board members, who will be paid at 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 7 December 2017 with 98.72% of votes cast in favour, 0.90% of votes cast against and 0.38% of votes withheld. The next vote will be put to shareholders at the AGM in 2020. The Policy has been followed throughout the year ended 31 July 2018 and up to the date of this report.

## Voting on the Directors' Remuneration Report

At the AGM held on 7 December 2017, 98.60% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 July 2017, 0.89% of votes were cast against and 0.51% of votes were withheld.

The Director's Remuneration Report for the year ended 31 July 2018 will be put to shareholders at the AGM on 13 December 2018, and the votes cast will be disclosed on the Company's pages of the Manager's website at:

**[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**.

## Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £131,545 (2017: £124,246). This includes expenses incurred by Directors in attending to the affairs of the Company and which are considered by HMRC to be a taxable benefit. Information on individual Directors' fees and taxable benefits is shown in the table on the next page.



	2019 Projected Total (£)	2018 Fees (Audited) (£)	2018 Taxable Benefits (Audited) (£)	2018 Total (Audited) (£)	2017 Fees (Audited) (£)	2017 Taxable Benefits (Audited) (£)	2017 Total (Audited) (£)
<b>Remuneration of Directors</b>							
Kate Bolsover	34,000	<b>32,000</b>	<b>509</b>	<b>32,509</b>	30,000	471	30,471
Timothy Scholefield	25,000	<b>24,000</b>	–	<b>24,000</b>	22,750	–	22,750
Philip Smiley	25,000	<b>24,000</b>	<b>337</b>	<b>24,337</b>	22,750	395	23,145
Grahame Stott	28,000	<b>26,500</b>	–	<b>26,500</b>	25,000	–	25,000
Michael Warren	25,000	<b>24,000</b>	<b>199</b>	<b>24,199</b>	22,750	130	22,880
<b>Total</b>	<b>137,000</b>	<b>130,500</b>	<b>1,045</b>	<b>131,545</b>	<b>123,250</b>	<b>996</b>	<b>124,246</b>

#### Expenditure on Remuneration and Distributions to Shareholders

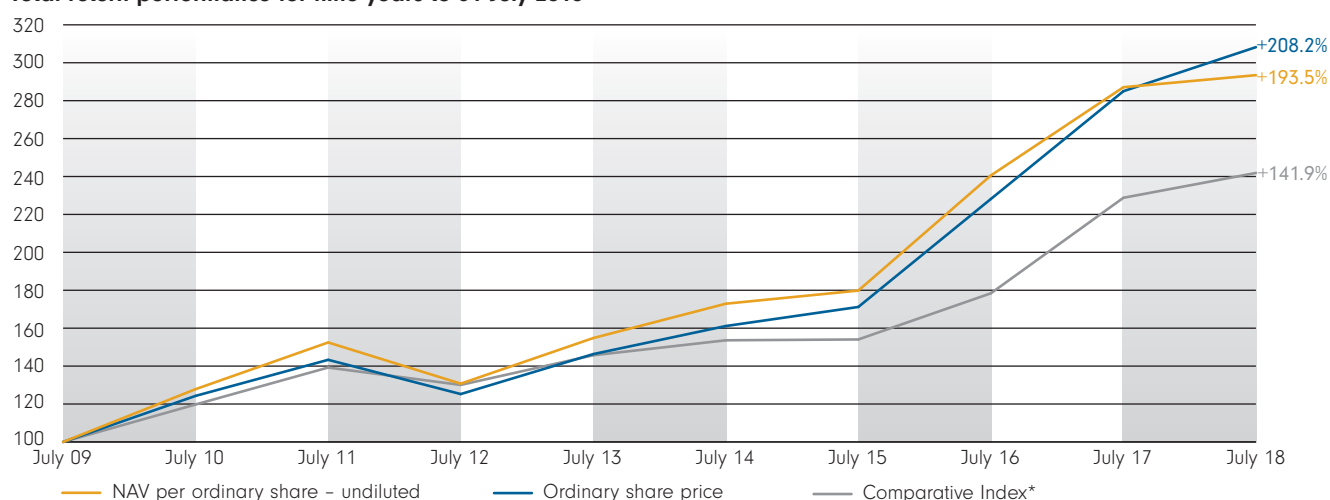
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 July 2019 is disclosed in the table above.

	31 July 2018 £	31 July 2017 £
<b>Expenditure on Directors' Remuneration:</b>		
Fees and taxable benefits	<b>131,545</b>	124,246
<b>Distribution to Shareholders:</b>		
Dividend payments	<b>3,374,000</b>	3,037,000

#### Performance

The Company's objective is to achieve long term capital growth principally from the stockmarkets of the Asian Region excluding Japan. The Company's performance is measured against the return of the MSCI All Countries Asia ex Japan Index (net) (in Sterling terms) as this is considered to be the most appropriate Comparative Index in respect of its asset allocation. The graph below shows performance over nine years to 31 July 2018.

#### Total return performance for nine years to 31 July 2018



\*Since 1 August 2015, the Comparative Index is the MSCI All Countries Asia ex Japan Index (net) (in Sterling terms). Prior to that, it was the MSCI All Countries Far East ex Japan Index (net) (in Sterling terms).

Prices rebased to 100

Sources: Fidelity and Datastream

# Directors' Remuneration Report continued

## Directors' Interest in the Company's Ordinary Shares and Subscription Shares

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

### Directors' Shareholdings (Audited)

	31 July 2018	31 July 2017	Change during year
<b>Ordinary Shares</b>			
Kate Bolsover	15,250	15,250	-
Timothy Scholefield	10,000	10,000	-
Philip Smiley	2,500	2,500	-
Grahame Stott	20,000	20,000	-
Michael Warren	4,000	4,000	-
<b>Subscription Shares</b>			
Kate Bolsover	3,050	3,050	-
Timothy Scholefield	2,000	2,000	-
Philip Smiley	500	500	-
Grahame Stott*	11,000	8,000	3,000
Michael Warren	800	800	-

\* Purchase of additional subscription shares.

The Portfolio Manager also holds shares in the Company.

The above shareholdings remain unchanged as at the date of this report.

On behalf of the Board

**Kate Bolsover**

Chairman

27 September 2018

# Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

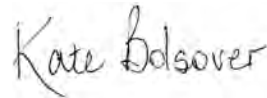
The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com) to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 27 September 2018 and signed on its behalf by:



**Kate Bolsover**  
Chairman

# Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 July 2018.

## Composition

The members of the Committee are myself as Chairman, Kate Bolsover, Timothy Scholefield, Philip Smiley and Michael Warren. Kate Bolsover is a member of the Committee because the Board believes it to be appropriate for all Directors to have such responsibility. The Committee considers that collectively its members 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

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.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com). 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 work undertaken by the Manager's internal audit department\* and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the 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).

\* *The Committee, on behalf of the Board, has reviewed the work undertaken by the Manager's internal audit team and has sufficient reassurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets.*

## Meetings and Business Considered

Since the date of the last Annual Report (11 October 2017), the Committee has met three times and the Auditor has attended two of these 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 fair value process of investments;
- The Depositary's oversight report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.



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

<b>April 2018</b>	<ul style="list-style-type: none"> <li>The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board</li> <li>The Going Concern Statement</li> </ul>
<b>June 2018</b>	<ul style="list-style-type: none"> <li>The Auditor's engagement letter and audit plan for the Company's year ending 31 July 2018</li> <li>Review the work of Fidelity's Internal Audit team</li> <li>Review the use of currency hedging</li> </ul>
<b>September 2018</b>	<ul style="list-style-type: none"> <li>The Auditor's findings from the audit of the Company</li> <li>The Auditor's performance, independence and reappointment</li> <li>Compliance with Corporate Governance and regulatory requirements</li> <li>The Annual Report and Financial Statements and recommendation of its approval to the Board</li> <li>The Viability and Going Concern Statements</li> <li>The final dividend payment to be recommended to the Board</li> </ul>

#### Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 37. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, and on any issues which may arise in relation to these and on 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 Audit Committee

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

<b>Recognition of Investment Income</b>	Investment income is recognised in accordance with accounting policy Note 2(e) on page 49. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit, AAF Internal Controls and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported on by the Auditor.
<b>Valuation, existence and ownership of investments (including derivatives)</b>	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(k) and 2(l) on page 50. The Committee took comfort from the Depositary's regular oversight reports that investment related activities are conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and Depositary that the valuation, existence and ownership of investments had been verified. In addition, the Committee received confirmation from the Auditor that it has tested at the year end the valuation of the Company's investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of the Company's investments with the Company's Custodian and that of the derivatives with the Company's counterparties. The valuation of one investment subject to fair value oversight by the Manager's Fair Value Committee ("FVC") was reviewed by the Committee. It receives reporting from the FVC and reviews the proposed valuation methodology to be adopted.

# Report of the Audit Committee continued

## Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 July 2018. Fees paid to the Auditor for the audit of the Company's Financial Statements is disclosed in Note 5 on page 52.

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

- The audit plan for the year, including the audit team and approach to significant risks;
- The Auditor's arrangements for managing any conflicts of interest;
- The extent of any non-audit services\*; and
- The statement by the Auditor that it remains independent within the meaning of the regulators and their professional standards.

\* *There were no non-audit services provided to the Company during the reporting year and as at the date of this report.*

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

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 July 2018; 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 30 November 2015 following a formal audit tender process. 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 third year that the audit partner, Matthew Price, 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.

### Grahame Stott

Chairman of the Audit Committee  
27 September 2018

# Independent Auditor's Report to the Members of Fidelity Asian Values PLC

## Opinion

We have audited the Financial Statements of Fidelity Asian Values PLC for the year ended 31 July 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 20, 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 July 2018 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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 14 and 15 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 13 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 27 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 15 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Incomplete or inaccurate investment and derivative income recognition including incorrect allocation of special dividends between revenue and capital</li> <li>• Incorrect valuation and existence of investments and derivatives</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall materiality of £2.88m (2017: £2.80m) which represents 1% of the net asset value of the Company as of 31 July 2018.</li> </ul>

## 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 Asian Values PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete or inaccurate investment and derivative income recognition including incorrect allocation of special dividends between revenue and capital</b></p> <p><i>Refer to the Report of the Audit Committee (page 39; Accounting policies (page 49); and Note 3 of the Financial Statements (page 51)</i></p> <p>The Company has reported revenue of £8.7m for the year (2017: £8.4m). The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders.</p> <p>We identified the allocation of special dividends between revenue and capital to be a fraud risk due to the judgement required in making this allocation.</p> <p>Special dividends can be included within either the capital or revenue columns of the Income Statement, depending on the commercial circumstances behind the payments.</p> <p>During the year, the Company received 6 special dividends with an aggregate value £0.5m. These special dividends were all treated as revenue.</p> <p>Given this, we considered there to be a potential fraud risk in relation to the allocation of special dividends between revenue and capital, in accordance with Auditing Standards, in this area of our audit.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Walked through the revenue recognition process to obtain an understanding of the design and implementation of the controls;</li> <li>• Agreed a sample of dividends to the corresponding announcement made by the investee company, recalculated the dividend amount received and agreed cash received to bank statements;</li> <li>• Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company;</li> <li>• Agreed a sample of accrued dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts;</li> <li>• For a sample selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source;</li> <li>• Reviewed the income report and the investment ledger report to identify material special dividends received in the year;</li> <li>• Agreed, for a sample of investee companies, the dividend declared to the announcements made by the investee company to conclude whether it is a special or ordinary dividend;</li> <li>• For a sample of special dividends, including all special dividends above our revenue testing threshold, considered the recognition criteria applied to the special dividends received during the year and their classification as revenue or capital.</li> </ul>	<p>The results of our procedures identified no material errors in the investment and derivative income recognition and allocation of special dividends between revenue and capital.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incorrect valuation and existence of investments and derivatives</b></p> <p><i>Refer to the Report of the Audit Committee (page 39; Accounting policies (page 50); and Notes 10 and 11 of the Financial Statements (pages 55 and 56)</i></p> <p>The valuation of investments and derivatives as at the year end was £274.3m (2017: £265.4m), comprising £273.7m of investments and £0.6m of net derivatives (2017: £264.1m of investments, and £1.3m 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.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Walked through the investment valuation process to obtain an understanding of the design of the controls;</li> <li>• Independently valued 100% of the investments and derivatives prices in the portfolio using independent pricing sources;</li> <li>• For those investments priced in currencies other than sterling we compared the exchange rates to an independent source; and</li> <li>• Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers.</li> </ul>	<p>The results of our procedures identified no material errors in the existence and valuation of investments and derivatives.</p>

There were no changes in key audit matters in comparison with the prior year.

## 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.

### 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 £2.88m (2017: £2.80m), which is 1% (2017: 1%) of the net asset value of the Company as of 31 July 2018. We believe that the net asset value provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £2.16m (2017: £2.10m). We have set performance materiality at this percentage due to past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Income Statement of £0.23m (2017: £0.24m) being 5% of the net return on ordinary activities before taxation.

### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2017: £0.14m), 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.



# Independent Auditor's Report to the Members of Fidelity Asian Values PLC continued

## Other information

The other information comprises the information included in the Annual Report set out on page 28, including the Strategic Report set out on pages 12 to 16, and the Directors' Report set out on pages 27 to 29, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the Financial Statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 37** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on page 38** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 30** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## 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.

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, 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**

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how Fidelity Asian Values PLC is complying with those frameworks through discussions with the Audit Committee and the Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements.
- 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/auditors-responsibilities>. This description forms part of our Auditor's report.

#### **Other matters we are required to address**

- Following the recommendation of the Audit Committee, we were appointed by the Company at its Annual General Meeting on 7 December 2017 to audit the Financial Statements for the year ending 31 July 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 July 2016 to 31 July 2018.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

#### **Use of our report**

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

#### **Matthew Price**

(Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
Statutory Auditor  
London  
27 September 2018

#### **Notes:**

1. The maintenance and integrity of the Fidelity International website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Income Statement

for the year ended 31 July 2018

	Notes	year ended 31 July 2018			year ended 31 July 2017		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments	10	–	4,084	4,084	–	44,906	44,906
Losses on derivative instruments	11	–	(1,907)	(1,907)	–	(2,376)	(2,376)
Income	3	8,747	–	8,747	8,439	–	8,439
Investment management fees	4	(2,626)	–	(2,626)	(2,500)	–	(2,500)
Other expenses	5	(696)	–	(696)	(725)	(165)	(890)
Foreign exchange gains/(losses)		–	568	568	–	(616)	(616)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>5,425</b>	<b>2,745</b>	<b>8,170</b>	5,214	41,749	46,963
Finance costs	6	(779)	–	(779)	(407)	–	(407)
<b>Net return on ordinary activities before taxation</b>		<b>4,646</b>	<b>2,745</b>	<b>7,391</b>	4,807	41,749	46,556
Taxation on return on ordinary activities	7	(754)	141	(613)	(707)	(166)	(873)
<b>Net return on ordinary activities after taxation for the year</b>		<b>3,892</b>	<b>2,886</b>	<b>6,778</b>	4,100	41,583	45,683
<b>Basic return per ordinary share</b>	8	<b>5.70p</b>	<b>4.23p</b>	<b>9.93p</b>	6.08p	61.62p	67.70p
<b>Diluted return per ordinary share</b>	8	<b>5.67p</b>	<b>4.20p</b>	<b>9.87p</b>	6.06p	61.43p	67.49p

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 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.

# Statement of Changes in Equity

for the year ended 31 July 2018

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
<b>Total shareholders' funds at 31 July 2017</b>		<b>16,872</b>	<b>20,232</b>	<b>3,197</b>	<b>7,367</b>	<b>8,613</b>	<b>218,423</b>	<b>5,487</b>	<b>280,191</b>
Net return on ordinary activities after taxation for the year		-	-	-	-	-	2,886	3,892	6,778
Issue of ordinary shares on the exercise of rights attached to subscription shares	14	295	4,084	-	-	-	-	-	4,379
Dividend paid to shareholders	9	-	-	-	-	-	-	(3,374)	(3,374)
<b>Total shareholders' funds at 31 July 2018</b>		<b>17,167</b>	<b>24,316</b>	<b>3,197</b>	<b>7,367</b>	<b>8,613</b>	<b>221,309</b>	<b>6,005</b>	<b>287,974</b>
<b>Total shareholders' funds at 31 July 2016</b>		16,872	20,232	3,197	7,367	8,613	176,840	4,424	237,545
Net return on ordinary activities after taxation for the year		-	-	-	-	-	41,583	4,100	45,683
Dividend paid to shareholders	9	-	-	-	-	-	-	(3,037)	(3,037)
<b>Total shareholders' funds at 31 July 2017</b>		16,872	20,232	3,197	7,367	8,613	218,423	5,487	280,191

The Notes on pages 49 to 67 form an integral part of these Financial Statements.

# Balance Sheet

as at 31 July 2018

Company number 3183919

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	10	273,714	264,076
<b>Current assets</b>			
Derivative instruments	11	1,529	2,829
Debtors	12	2,307	1,766
Amounts held at futures clearing houses and brokers		2,363	1,937
Cash at bank		11,468	14,822
		17,667	21,354
<b>Creditors</b>			
Derivative instruments	11	(960)	(1,554)
Other creditors	13	(2,447)	(3,685)
		(3,407)	(5,239)
<b>Net current assets</b>		14,260	16,115
<b>Net assets</b>		287,974	280,191
<b>Capital and reserves</b>			
Share capital	14	17,167	16,872
Share premium account	15	24,316	20,232
Capital redemption reserve	15	3,197	3,197
Other non-distributable reserve	15	7,367	7,367
Other reserve	15	8,613	8,613
Capital reserve	15	221,309	218,423
Revenue reserve	15	6,005	5,487
<b>Total shareholders' funds</b>		287,974	280,191
<b>Net asset value per ordinary share</b>	16	419.36p	415.17p
<b>Diluted net asset value per ordinary share</b>	16	413.64p	407.77p

The Financial Statements on pages 46 to 67 were approved by the Board of Directors on 27 September 2018 and were signed on its behalf by:

**Kate Bolsover**  
Chairman

The Notes on pages 49 to 67 form an integral part of these Financial Statements.



# Notes to the Financial Statements

## 1 Principal Activity

Fidelity Asian Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 3183919, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

## 2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in January 2017 with consequential amendments. 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.

**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. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

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

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

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

Derivative instrument income received from dividends on long contracts for difference ("CFDs") are accounted for on the date on which the right to receive the income 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 and bank deposits is accounted for on an accruals basis and is credited to the revenue column of the Income Statement.

**f) Management fees and other expenses** – Management fees and other expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.

**g) Functional currency and foreign exchange** – The Directors, having regard to the Company's share capital and the predominant currency in which its investors operate, have determined its functional currency to be UK Sterling. UK Sterling is also the currency in which the Financial Statements are presented. Transactions denominated in foreign currencies are reported in UK Sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

**h) Finance costs** – Finance costs comprise interest paid on CFDs, which is accounted for on an accruals basis using the effective interest method, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are charged in full to the revenue column of the Income Statement.

# Notes to the Financial Statements continued

## 2 Accounting Policies continued

**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 substantially enacted when the taxation is expected to be payable or recoverable. Deferred taxation 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, or otherwise, at fair value based on published price quotations.
- Unlisted investments, are investments which are not quoted, or are not frequently traded, and are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provide a recommendation of fair values to the Directors based on recognised valuation techniques that take into account the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase.

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 those costs in Note 10.

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

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract;
- Futures – the difference between contract price and the quoted trade price;
- Warrants – the quoted trade price for the contract;
- Options – valued based on similar instruments or the quoted trade price for the contract; and
- Forward currency contracts – valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date.

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

**m) Debtors** – Debtors include securities sold for future settlement, accrued income and other debtors 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.

## 2 Accounting Policies continued

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

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

**p) Cash at bank** – Cash at bank is subject to an insignificant risk of change in value.

**q) Capital reserve** – The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature;
- Other expenses which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investment which had an unrealised investment holding loss of £296 (2017: nil).

## 3 Income

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
<b>Investment income</b>		
Overseas dividends	8,242	8,112
Overseas scrip dividends	299	207
	8,541	8,319
<b>Derivative income</b>		
Dividends on long CFDs	51	90
Interest on short CFDs	90	13
	141	103
<b>Other income</b>		
Deposit interest	65	17
<b>Total income</b>	<b>8,747</b>	<b>8,439</b>

Special dividends of nil (2017: £2,418,000) have been recognised in capital and classified as realised gains.

# Notes to the Financial Statements continued

## 4 Investment Management Fees

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
Investment management fees	2,626	2,500

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. FIL charged fees at an annual rate of 0.90% on the first £200 million of gross assets and 0.85% on gross assets over £200 million. Fees were paid quarterly in arrears and were calculated on the last business day of March, June, September and December.

## 5 Other Expenses

	year ended 31 July 2018		year ended 31 July 2017	
	revenue £'000	capital £'000	revenue £'000	capital £'000
AIC fees	20	-	20	-
Custody fees	117	-	111	-
Depositary fees	27	-	25	-
Directors' expenses	26	-	28	-
Directors' fees*	131	-	123	-
Legal and professional fees	63	-	58	-
Marketing expenses	108	-	144	-
Printing and publication expenses	57	-	76	-
Registrars' fees	36	-	30	-
Secretarial and administration fees payable to the Manager	75	-	75	-
Sundry other expenses	12	-	11	-
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	24	-	24	-
Costs of the subscription share issue	-	-	-	165
	696	-	725	165

\* Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 35.

## 6 Finance Costs

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
Interest paid on long CFDs	362	108
Dividends paid on short CFDs	417	299
	779	407

## 7 Taxation on Return on Ordinary Activities

	year ended 31 July 2018			year ended 31 July 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
<b>a) Analysis of the taxation charge for the year</b>						
Overseas taxation	754	–	754	707	–	707
Indian capital gains tax (received)/paid	–	(141)	(141)	–	166	166
<b>Total taxation charge for the year (see Note 7b)</b>	<b>754</b>	<b>(141)</b>	<b>613</b>	<b>707</b>	<b>166</b>	<b>873</b>

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

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19.00% (2017: 19.67%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31 July 2018			year ended 31 July 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Net return on ordinary activities before taxation	4,646	2,745	7,391	4,807	41,749	46,556
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2017: 19.67%)	883	521	1,404	946	8,212	9,158
Effects of:						
Capital gains not taxable*	–	(521)	(521)	–	(8,212)	(8,212)
Income not taxable	(1,587)	–	(1,587)	(1,528)	–	(1,528)
Excess management expenses	600	–	600	543	–	543
Excess interest paid	109	–	109	56	–	56
Overseas taxation expensed	(5)	–	(5)	(17)	–	(17)
Overseas taxation	754	–	754	707	–	707
Indian capital gains tax (received)/paid	–	(141)	(141)	–	166	166
<b>Total taxation charge for the year (see Note 7a)</b>	<b>754</b>	<b>(141)</b>	<b>613</b>	<b>707</b>	<b>166</b>	<b>873</b>

\* 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 £3,905,000 (2017: £3,270,000), in respect of excess management expenses of £19,503,000 (2017: £16,346,000) and excess interest paid of £3,466,000 (2017: £2,892,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.



# Notes to the Financial Statements continued

## 8 Return per Ordinary Share

	year ended 31 July 2018			year ended 31 July 2017		
	revenue	capital	total	revenue	capital	total
<b>Basic return per ordinary share</b>	<b>5.70p</b>	<b>4.23p</b>	<b>9.93p</b>	6.08p	61.62p	67.70p
<b>Diluted return per ordinary share</b>	<b>5.67p</b>	<b>4.20p</b>	<b>9.87p</b>	6.06p	61.43p	67.49p

The basic returns per ordinary share are based on the net returns on ordinary activities after taxation for the year: revenue return £3,892,000 (2017: £4,100,000), capital return £2,886,000 (2017: £41,583,000) and total return £6,778,000 (2017: £45,683,000). These returns are divided by the weighted average number of ordinary shares in issue during the year of 68,277,830 (2017: 67,488,213).

The diluted returns per ordinary share reflect the notional dilutive effect that would have occurred if the rights attaching to subscription shares had been exercised and additional ordinary shares had been issued. The returns on ordinary activities after taxation for the year used in the diluted calculation are the same as those for the basic returns above. These returns are divided by the notional weighted average number of ordinary shares in issue during the year of 68,654,259 (2017: 67,695,881). This number of shares reflects the additional number of ordinary shares that could have been purchased at the average ordinary share price for the year with the proceeds from the excess of the subscription share rights exercise price over the average ordinary share price.

## 9 Dividends Paid to Shareholders

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
<b>Dividend paid</b>		
Dividend paid of 5.00 pence per ordinary share for the year ended 31 July 2017	<b>3,374</b>	-
Dividend paid of 4.50 pence per ordinary share for the year ended 31 July 2016	-	3,037
	<b>3,374</b>	3,037
<b>Dividend proposed</b>		
Dividend proposed of 5.50 pence per ordinary share for the year ended 31 July 2018	<b>3,777</b>	-
Dividend proposed of 5.00 pence per ordinary share payable for the year ended 31 July 2017	-	3,374
	<b>3,777</b>	3,374

The Directors have proposed the payment of a dividend for the year ended 31 July 2018 of 5.50 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 17 December 2018 to shareholders on the register at the close of business on 12 October 2018 (ex-dividend date 11 October 2018).

## 10 Investments

	2018 £'000	2017 £'000
Listed investments	273,307	264,076
Unlisted investments	407	-
<b>investments at fair value</b>	<b>273,714</b>	<b>264,076</b>
Opening book cost	222,070	185,226
Opening investment holding gains	42,006	37,198
<b>Opening fair value</b>	<b>264,076</b>	<b>222,424</b>
<b>Movements in the year</b>		
Purchases at cost	169,420	137,251
Sales - proceeds	(163,866)	(140,505)
Sales - gains in the year	32,613	40,098
Movement in investment holding (losses)/gains in the year	(28,529)	4,808
<b>Closing fair value</b>	<b>273,714</b>	<b>264,076</b>
Closing book cost	260,237	222,070
Closing investment holding gains	13,477	42,006
<b>Closing fair value</b>	<b>273,714</b>	<b>264,076</b>
	<b>year ended 31.07.18 £'000</b>	<b>year ended 31.07.17 £'000</b>
<b>Gains on investments for the year</b>		
Gains on sales of investments	32,613	40,098
Investment holding (losses)/gains	(28,529)	4,808
	<b>4,084</b>	<b>44,906</b>

### 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 31.07.18 £'000	year ended 31.07.17 £'000
Purchase transaction costs	342	293
Sales transaction costs	404	365
	<b>746</b>	<b>658</b>

The portfolio turnover rate for the year was 62.7% (2017: 55.2%).

# Notes to the Financial Statements continued

## 11 Derivative Instruments

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
<b>Net losses on derivative instruments</b>		
Realised gains on long CFD positions closed	1,332	907
Realised losses on short CFD positions closed	(2,426)	(1,260)
Realised losses on futures contracts closed	(123)	-
Realised losses on options contracts closed	(200)	(74)
Realised gains on forward currency contracts closed	224	-
Movement in investment holding (losses)/gains on long CFDs	(1,364)	83
Movement in investment holding gains/(losses) on short CFDs	1,317	(683)
Movement in investment holding gains on futures	60	-
Movement in investment holding losses on options	(757)	(1,349)
Movement in investment holding losses on forward currency contracts	(95)	-
Movement in investment holding gains on warrants	125	-
	<b>(1,907)</b>	<b>(2,376)</b>

	2018 fair value £'000	2017 fair value £'000
<b>Derivative instruments recognised on the Balance Sheet</b>		
Derivative instrument assets	1,529	2,829
Derivative instrument liabilities	(960)	(1,554)
	<b>569</b>	<b>1,275</b>

	2018 fair value £'000	2018 gross asset exposure £'000	2017 fair value £'000	2017 gross asset exposure £'000
<b>At the year end the Company held the following derivative instruments</b>				
Long CFDs	(167)	2,726	1,197	3,009
Short CFDs	365	13,620	(952)	14,099
Short future	-	-	(60)	1,094
Warrants	125	125	-	-
Put options (hedging exposure)	341	(4,918)	1,090	(8,583)
Forward currency contracts (hedging exposure)	(95)	(95)	-	-
	<b>569</b>	<b>11,458</b>	<b>1,275</b>	<b>9,619</b>

**12 Debtors**

	2018 £'000	2017 £'000
Securities sold for future settlement	1,381	1,089
Accrued income	849	562
Other debtors	77	115
	<b>2,307</b>	1,766

The Directors consider that the carrying amount of debtors approximate to their fair value.

**13 Other Creditors**

	2018 £'000	2017 £'000
Securities purchased for future settlement	1,952	3,083
Creditors and accruals	495	602
	<b>2,447</b>	3,685

**14 Share Capital**

	2018		2017	
	number of shares	£'000	number of shares	£'000
<b>Issued, allotted and fully paid</b>				
<b>Ordinary shares of 25 pence each held outside Treasury</b>				
Beginning of the year	67,488,213	16,872	67,488,213	16,872
Ordinary shares issued	1,181,189	295	-	-
End of the year	68,669,402	17,167	67,488,213	16,872
<b>Issued, allotted and fully paid</b>				
<b>Subscription shares of 0.001 pence</b>				
Beginning of the year	13,497,222	-	-	-
Subscription shares issued	-	-	13,497,222	-
Cancellation of subscription shares on the exercise of rights	(1,181,189)	-	-	-
End of the year	12,316,033	-	13,497,222	-
<b>Total share capital</b>		<b>17,167</b>		16,872

# Notes to the Financial Statements continued

## 14 Share Capital continued

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

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

After the final exercise date of 29 November 2019, the Company will appoint a trustee who will exercise any rights remaining that have not been exercised by shareholders, providing that by doing so a profit can be realised. To realise a profit the sale proceeds from selling the resulting ordinary shares in the market would need to be in excess of the 392.75 pence per share price of exercising the rights, plus any related expenses and fees. Any resulting profit will be paid to the holders of those outstanding subscription shares, unless the amount payable to an individual holder is less than £5, in which case such sum shall be retained for the benefit of the Company.

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

During the year the Company issued 1,181,189 ordinary shares (year ended 31 July 2017: nil) on the exercise of rights attached to subscription shares. The subscription share price of 370.75 pence per ordinary share issued represented a premium of 345.75 pence per share over the 25 pence nominal value of each share. The total premium received in the year on the issue of ordinary shares of £4,084,000 (year ended 31 July 2017: nil) was credited to the share premium account.

## 15 Reserves

The "share premium account" represents the amount by which the proceeds, from the issue of ordinary shares on the exercise of rights attached to subscription shares, exceeded the nominal value of those ordinary shares. It is not distributable by way of dividend. It cannot be used to fund share repurchases.

The "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. It cannot be used to fund share repurchases.

The "other non-distributable reserve" represents amounts transferred from the warrant reserve in prior years with High Court approval. It is not distributable by way of dividend. It cannot be used to fund share repurchases.

The "other reserve" represents amounts transferred from the share premium account and the capital redemption reserve in prior years with High Court approval. It is not distributable by way of dividend. It can be used to fund share repurchases.

The "capital reserve" reflects realised gains or losses on investments and derivative instruments sold, unrealised increases and decreases in the fair value of investments and derivative instruments held and other income and costs recognised in the capital column of the Income Statement. Refer to Notes 10 and 11 for information on investment holding gains/(losses) included in this reserve. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital.

The "revenue reserve" represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

## 16 Net Asset Value per Ordinary Share

The basic net asset value per ordinary share is based on net assets of £287,974,000 (2017: £280,191,000) and on 68,669,402 (2017: 67,488,213) ordinary shares, being the number of ordinary shares of 25 pence each held outside Treasury in issue at the year end.

The diluted net asset value per ordinary share reflects the potential dilution in the net asset value per ordinary share if the rights of the 12,316,033 subscription shares in issue had been exercised on 31 July 2018 at the next exercise date price of 381.75 pence per share. The basis of the calculation is in accordance with the guidelines laid down by the AIC.

The net asset value per ordinary share and the diluted net asset value per ordinary share are published by the London Stock Exchange on a daily basis.



## 17 Financial Instruments

### Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, discount control, gearing, derivatives and currency risks. Other risks identified are cybercrime, tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. Risks identified are shown in the Strategic Report on pages 14 and 15.

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, forward currency contracts, warrants, futures and options on equity indices; and
- Cash, liquid resources and short term receivables and payables that arise from its operations.

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

### Market price risk

#### Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The level of gearing is reviewed by the Board and the Portfolio Manager. The Company is exposed to a financial risk 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:

	2018 £'000	2017 £'000
<b>Exposure to financial instruments that earn interest</b>		
Cash at bank	11,468	14,822
Short CFDs – exposure plus fair value	13,985	13,147
Amounts held at futures clearing houses and brokers	2,363	1,937
	<b>27,816</b>	29,906
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs – exposure less fair value	2,893	1,812
<b>Net exposure to financial instruments that earn interest</b>	<b>24,923</b>	28,094

### Foreign currency risk

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

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

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

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

### Currency exposure of financial assets

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

	2018				
Currency	investments at fair value £'000	long exposure to derivative instruments <sup>1</sup> £'000	debtors <sup>2</sup> £'000	cash at bank £'000	total £'000
Hong Kong dollar	69,051	750	246	–	70,047
Indian rupee	47,488	(72)	1,858	244	49,518
South Korean won	29,436	(2,870)	4	47	26,617
Indonesian rupiah	24,627	–	161	–	24,788
Taiwan dollar	22,623	–	424	187	23,234
Australian dollar	18,546	–	208	–	18,754
Philippine peso	17,932	–	–	–	17,932
US dollar	6,313	(95)	1,656	8,430	16,304
Singapore dollar	12,371	–	–	–	12,371
Thai baht	10,958	125	34	–	11,117
Sri Lanka rupee	7,320	–	–	–	7,320
Other overseas currencies	6,050	–	–	2,495	8,545
UK Sterling	999	–	79	65	1,143
	273,714	(2,162)	4,670	11,468	287,690

<sup>1</sup> The exposure to the market of long CFDs and warrants after the netting of hedging exposures.

<sup>2</sup> Debtors include amounts held at futures clearing houses and brokers.

## 17 Financial Instruments continued

Currency	investments at fair value £'000	long exposure to derivative instruments <sup>1</sup> £'000	debtors <sup>2</sup> £'000	cash at bank £'000	2017 total £'000
Indian rupee	51,520	(1,079)	1,659	21	52,121
Taiwan dollar	34,214	3,009	387	1,623	39,233
Hong Kong dollar	41,209	(4,327)	90	762	37,734
South Korean won	30,140	(3,177)	-	7	26,970
Australian dollar	24,846	-	-	36	24,882
US dollar	8,090	-	1,400	11,493	20,983
Philippine peso	17,380	-	-	-	17,380
Singapore dollar	15,967	-	6	-	15,973
Indonesian rupiah	15,739	-	46	-	15,785
Thai baht	9,959	-	-	-	9,959
Malaysian ringgit	2,705	-	-	-	2,705
Other overseas currencies	10,851	-	-	685	11,536
UK Sterling	1,456	-	115	195	1,766
	264,076	(5,574)	3,703	14,822	277,027

<sup>1</sup> The exposure to the market of long CFDs after the netting of hedging exposures.

<sup>2</sup> Debtors include amounts held at futures clearing houses and brokers.

## Currency exposure of financial liabilities

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

Currency	short exposure to derivative instruments £'000	other creditors £'000	2018 total £'000
Hong Kong dollar	5,681	1,442	7,123
US dollar	5,277	54	5,331
Australian dollar	2,662	-	2,662
Other overseas currencies	-	601	601
UK Sterling	-	350	350
	13,620	2,447	16,067

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

Currency	short exposure to derivative instruments £'000	other creditors £'000	2017 total £'000
Hong Kong dollar	5,960	1,387	7,347
Australian dollar	3,110	307	3,417
Indian rupee	1,094	249	1,343
US dollar	-	331	331
Other overseas currencies	5,029	1,031	6,060
UK Sterling	-	380	380
	15,193	3,685	18,878

### Other price risk

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

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

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

### Liquidity risk

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

### Liquidity risk exposure

At 31 July 2018 the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £960,000 (2017: £1,554,000) and other creditors of £2,447,000 (2017: £3,685,000).

### Counterparty risk

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

For Over The Counter ("OTC") derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 July 2018, £457,000 (2017: £17,000) was held by the brokers in cash in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised of: UBS AG £457,000 (2017: £17,000) held in cash denominated in US dollars. £2,363,000 (2017: £1,937,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet was held by the Company, in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral is comprised of: HSBC Bank Plc £213,000 (2017: nil) in cash, Morgan Stanley & Co. International Plc £38,000 (2017: nil) in cash and UBS AG £2,112,000 (2017: £1,937,000) in cash.

## 17 Financial Instruments continued

### 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, derivative instrument contracts and cash at bank.

### Derivative instruments risk

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

- to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- to hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market;
- to position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

## RISK SENSITIVITY ANALYSIS

### Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 July 2018, an increase of 0.25% in interest rates throughout the year would have increased the return on ordinary activities after taxation for the year and increased the net assets of the Company by £62,000 (2017: £70,000). 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 the exchange rates ruling at 31 July 2018, a 10% strengthening or weakening of the UK Sterling exchange rate against other currencies would have (decreased)/increased the Company's net return on ordinary activities after taxation for the year and the Company's net assets by the following amounts:

If the UK Sterling exchange rate had strengthened by 10% the impact would have been:

Currency	2018 £'000	2017 £'000
Hong Kong dollar	(5,720)	(2,762)
Indian rupee	(4,482)	(4,616)
South Korean won	(2,420)	(2,452)
Indonesian rupiah	(2,226)	(1,424)
Taiwan dollar	(2,107)	(3,440)
Australian dollar	(1,463)	(1,951)
US dollar	(998)	(1,877)
	(19,416)	(18,522)



# Notes to the Financial Statements continued

## 17 Financial Instruments continued

If the UK Sterling exchange rate had weakened by 10% the impact would have been:

Currency	2018 £'000	2017 £'000
Hong Kong dollar	6,992	3,376
Indian rupee	5,478	5,642
South Korean won	2,957	2,997
Indonesian rupiah	2,721	1,741
Taiwan dollar	2,575	4,204
Australian dollar	1,788	2,385
US dollar	1,219	2,295
	<b>23,730</b>	<b>22,640</b>

### Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 July 2018, 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 £27,371,000 (2017: £26,408,000). 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 July 2018, an increase of 10% in the share prices underlying the derivative instruments, 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 £1,578,000 (2017: £2,077,000). A decrease of 10% in the share prices 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 Note 2 (k) and (l) above, investments and derivative instruments are shown at fair value. In the case of cash at bank, book value approximates to fair value due to the short maturity of the instruments.

### Fair Value Hierarchy

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

Classification	Input
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets
<b>Level 2</b>	Valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1
<b>Level 3</b>	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 Note 2 (k) and (l) above. The table below sets out the Company's fair value hierarchy:

	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	273,248	59	407	273,714
Derivative instrument assets	466	1,063	–	1,529
	273,714	1,122	407	275,243
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(960)	–	(960)

	level 1 £'000	level 2 £'000	level 3 £'000	2017 total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	259,508	4,568	–	264,076
Derivative instrument assets	789	2,040	–	2,829
	260,297	6,608	–	266,905
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(60)	(1,494)	–	(1,554)

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

	year ended 31.07.18 £'000	year ended 31.07.17 £'000
<b>Beginning of the year</b>	–	–
Transfer into level 3 – JHL Biotech Inc*	407	–
<b>End of the year</b>	407	–

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

### JHL Biotech Inc

JHL Biotech Inc develops biosimilars and is also engaged in providing process development and contract manufacturing solutions to the biopharmaceutical industry. On 26 February 2018, JHL Biotech voluntarily delisted from the Taipei Exchange. During the period from 17 February to 7 April JHL Biotech agreed to purchase shares eligible for sale at the price of TWD 63 per share. The valuation at 31 July 2018 is based on the confirmed buyback offer price of TWD 63.

# Notes to the Financial Statements continued

## 18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The capital of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 48, 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 12. The principal risks and their management are disclosed in the Strategic Report on pages 13 to 15 and in Note 17.

The Company's gearing (net cash position) at the year end is set out below:

	2018 gross asset exposure £'000	2017 gross asset exposure £'000
Long exposures to shares and equity linked notes	273,714	264,076
Warrants	125	-
Long CFDs	2,726	3,009
<b>Total long exposures</b>	<b>276,565</b>	<b>267,085</b>
Less: hedging exposure to forward currency contracts	(95)	-
Less: hedging exposure to Index linked put options	(4,918)	(8,583)
<b>Total long exposures after the netting of hedges</b>	<b>271,552</b>	<b>258,502</b>
Short CFDs	13,620	14,099
Short future	-	1,094
<b>Gross Asset Exposure</b>	<b>285,172</b>	<b>273,695</b>
<b>Total Shareholders' Funds</b>	<b>287,974</b>	<b>280,191</b>
<b>Gearing – (net cash position)*</b>	<b>(1.0%)</b>	<b>(2.3%)</b>

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

## 19 Transactions with the Manager and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 27 and in Note 4 on page 52. During the year, management fees of £2,626,000 (2017: £2,500,000) and secretarial and administration fees of £75,000 (2017: £75,000) were payable to FIL. At the Balance Sheet date, management fees of £222,000 (2017: £220,000) and secretarial and administration fees of £6,000 (2017: £6,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £108,000 (2017: £144,000). At the Balance Sheet date, £11,000 (2017: £3,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary and subscription shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 35 and 36. In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, £12,000 (2017: £11,000) of Employers' National Insurance contributions was also paid by the Company.

## 20 Alternative Performance Measures

Total return is considered to be an alternative performance measure (as defined in the Glossary on page 75). NAV and diluted NAV total return includes reinvestment of the dividend in the NAV/diluted NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 July 2018 and 31 July 2017.

	dividend rate	net asset value per ordinary share – undiluted	net asset value per ordinary share – diluted	share price
<b>Year ended 31 July 2018</b>				
31 July 2017	n/a	415.17p	407.77p	386.00p
19 October 2017	5.00	417.58p	409.78p	377.00p
31 July 2018	n/a	419.36p	413.64p	412.00p
<b>Total return</b>		<b>2.2%</b>	<b>2.7%</b>	<b>8.2%</b>

	dividend rate	net asset value per ordinary share – undiluted	net asset value per ordinary share – diluted	share price
<b>Year ended 31 July 2017</b>				
31 July 2016	n/a	351.98p	351.98p	313.00p
3 November 2016	4.50	392.29p	392.29p	348.00p
31 July 2017	n/a	415.17p	407.77p	386.00p
<b>Total return</b>		<b>19.3%</b>	<b>17.2%</b>	<b>24.9%</b>

# Financial Calendar

The key dates in the Company's calendar are:

<b>31 July 2018</b>	Financial Year End
<b>28 September 2018</b>	Announcement of results for the year ended 31 July 2018
<b>October 2018</b>	Publication of this Report
<b>11 October 2018</b>	Ex-dividend Date
<b>12 October 2018</b>	Dividend Record Date
<b>13 December 2018</b>	Annual General Meeting
<b>17 December 2018</b>	Payment of the Dividend
<b>31 January 2019</b>	Half-Year End
<b>April 2019</b>	Announcement of the Half-Yearly results for the six months ended 31 January 2019
<b>April 2019</b>	Publication of the Half-Yearly Report

# Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Asian Values PLC will be held at **25 Cannon Street, London EC4M 5TA** on 13 December 2018 at 1.30 pm for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 July 2018.
2. To declare that a final dividend for the year ended 31 July 2018 of 5.50 pence per ordinary share be paid to shareholders on the register as at close of business on 12 October 2018.
3. To re-elect Kate Bolsover as a Director.
4. To re-elect Timothy Scholefield as a Director.
5. To re-elect Philip Smiley as a Director.
6. To re-elect Grahame Stott as a Director.
7. To re-elect Michael Warren as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 34) for the year ended 31 July 2018.
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, pass the following special business resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12, 13 and 14 as special resolutions.

## Authority to allot shares and dis-application of 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 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 27 September 2018. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order 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 no less than 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 security into shares in the Company ("relevant securities") up to an

aggregate nominal amount of £1,716,735 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 27 September 2018) 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 including in respect of the allotment of shares pursuant to the exercise of subscription share rights.

12. THAT, subject to the passing of Resolution 11, 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 £1,716,735 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 27 September 2018); 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

Resolutions 13 and 14 are special resolutions which, if approved, will renew the Company's authority to purchase up to 14.99% respectively of the number of ordinary and subscription shares in issue (excluding Treasury shares) on 27 September 2018 either for immediate cancellation or, in respect of the ordinary shares repurchased, 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



# Notice of Meeting continued

or cancelling the shares. Purchases of ordinary and subscription shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases of ordinary shares 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 25 pence each in the capital of the Company ("the shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 10,293,543;
- b) the minimum price which may be paid for a share is 25 pence;
- c) the maximum price which may be paid for each share is the higher of:
  - (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and
  - (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
- 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.

14. THAT in addition to the authority under section 701 of the Act granted under Resolution 13, the Company be generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its issued subscription shares of 0.001 pence each in the capital of the Company ("the shares"), provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 1,846,173;
- b) the minimum price which may be paid for a share is 0.001 pence;
- c) the maximum price which may be paid for each share is the higher of:
  - (i) an amount equal to 105% of the average of the

middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and

- (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
- 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 subscription shares pursuant to any such contract notwithstanding such expiry.

By Order of the Board

**FIL Investments International**

Secretary

27 September 2018

## Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company, but must attend the AGM to represent you. To appoint a proxy go to [www.signalshares.com](http://www.signalshares.com). If you need help with appointing a proxy online or require a paper proxy form, please contact our Registrar, Link Asset Services, on +44 (0) 371 664 0300, calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
2. To appoint a proxy via the share portal at **[www.signalshares.com](http://www.signalshares.com)** you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services (details above). In the case of CREST members, you can vote by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 5.
3. To be valid, an online proxy appointment or other instrument appointing a proxy must be received by our Registrars, Link Asset Services no later than 13:30 on Tuesday 11 December 2018 or no later than 48 hours before any adjourned meeting, excluding non-business days. The appointment of a proxy will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.

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 13:30 on 11 December 2018. 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) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 13:30 on 11 December 2018.
  6. 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 11 December 2018.
  7. 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.
  8. 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.
  9. 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 11 December 2018. 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.
  10. As at 27 September 2018 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 68,669,402 ordinary shares carrying one vote each and 12,316,033 subscription shares with no voting rights. No shares were held in Treasury, therefore, the total number of shares with voting rights in the Company as at 27 September 2018 was 68,669,402.
  11. 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.
  12. 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.
  13. 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.
  14. No Director has a service contract with the Company.
  15. 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.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**.
- Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

# Shareholder Information

## Investing in Fidelity Asian Values PLC

Fidelity Asian Values 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 Fidelity's website at:

**[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**

## CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given on this and the next page. Links to the websites of major platforms can be found online at **[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**

## Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity Asian Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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 between 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Email: **[enquiries@linkgroup.co.uk](mailto: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](http://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 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 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 **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 between 9:00 – 17:30, 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](http://www.linksharedeal.com)**, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 – 16:30,

Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link 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.

## 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 their 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 – 17:30 Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: **[shares@link.co.uk](mailto:shares@link.co.uk)** or log on to **[www.signalshares.com](http://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/its](http://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: **01732 361144**

Email: **[investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)**

Website: **[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**

If you hold Fidelity Asian Values 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](http://www.sharegift.org.uk)** or by telephoning **020 7930 3737**.

## 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, as such, has certain regulatory obligations such as the requirement to send documents to its shareholders such as the Annual Report, proxy forms 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 such as 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, Surrey KT20 6RP.

### Sharing personal data

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

<https://investment-trusts.fidelity.co.uk/privacy-policy/>

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

### How long will personal data be kept for?

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

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

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

# Shareholder Information continued

## Managers and Advisors

### Alternative Investment Fund Manager (AIFM/the 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@fil.com](mailto:investmenttrusts@fil.com)

### Financial Adviser and Stockbroker

Stifel Nicolaus Europe Ltd  
150 Cheapside  
London  
EC2V 6ET

### Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### Banker and Custodian

JPMorgan Chase Bank  
125 London Wall  
London  
EC2Y 5AJ

### Depository

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

### Registrar

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

### Lawyer

Charles Russell Speechlys LLP  
5 Fleet Place  
London  
EC4M 7RD

## Company Information

The Company was launched on 13 June 1996 with one warrant attached to every five shares. The original subscription price for each share was £1 (the final subscription date for the warrants was December 2006). The Company issued one subscription share for every five ordinary shares held on 4 March 2010 (the final subscription date was May 2013). A further subscription share issue was made on 2 December 2016 on the basis of one subscription share for every five held by qualifying investors. The remaining dates for exercising these subscription shares are 30 November 2018 and 29 November 2019.

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

## Price Information

The share price of Fidelity Asian Values 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.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** 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 Asian Values PLC's ordinary shares is FAS.L, the sedol is 0332231 and the ISIN is GB0003322319. The sedol for the subscription shares is BDQZV5 and the ISIN is GB00BDQZV55.

## NAV Information

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

## Capital Gains Tax

All UK individuals under present legislation are permitted to have £11,700 of capital gains in the current tax year 2018/2019 (2017/2018: £11,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

# Glossary of Terms

## 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;
- Net Asset Value (NAV) per Share;
- Ongoing Charges;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

## American Depositary Receipt (ADR)

A negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US Exchange.

## Capital Gains Tax (CGT)

The tax you may have to pay if you sell your shares at a profit.

## Collateral

Assets provided as security.

## Comparative Index

MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms).

## 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 margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received.

## Corporation Tax

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

## Custodian

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

## 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.

## Diluted Net Asset Value per Ordinary Share

The diluted net asset value per ordinary share reflects what the net asset value per ordinary share would have been if all the rights attached to the outstanding subscription shares had been exercised at the year end date. A dilution occurs when the exercise price of the subscription share rights is less than the net asset value per ordinary share.

## Discount

If the share price of the Company is lower than the net asset value per ordinary share, the Company's shares are said to be trading at a discount. It is shown as a percentage of the net asset value per ordinary share. It is more common for an investment trust to trade at a discount than a premium.

## Equity Linked Notes

Debt instruments whose return on investment is linked to specific equities or equity markets. The return on equity linked notes may be determined by an equity index, a basket of equities, or a single equity.

## Fair Value

The fair value is the best measure of the realisable 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, as available, otherwise at published price quotations;
- **Unlisted investments** – valued using an appropriate valuation technique in the absence of an active market;
- **Contracts for difference** – valued as the difference between the settlement price of the contract and the underlying shares in the contract (unrealised gains or losses);
- **Futures and options** – valued at the quoted trade price for the contract; and
- **Forward currency contracts** – valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date.

## Forward Currency Contract

Agreement to buy or sell a currency at a specified future date and at a pre-agreed price.



# Glossary of Terms continued

## Futures

Agreements to buy or sell a stated amount of a security 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 and **derivatives**, in order to increase the Company's exposure to investments. If assets rise in value, **gearing** magnifies the return to shareholders. Correspondingly, if assets fall in value, **gearing** magnifies the fall. **Derivatives** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

## Gearing Percentage

In a simple example, if a company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or **derivatives**), then the **shareholders' funds** are 8% geared. Normally, the higher the **gearing percentage**, the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

## Gross Asset Exposure

A measure of the Company's total equity exposure. It is calculated as the sum of all long exposures, after taking account of hedging positions and the absolute value of all short exposures.

## 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**.

## 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 FIL Investments International.

## 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 ordinary share basis.

## Net Asset Value per Ordinary Share

The **net asset value** divided by the number of ordinary shares in issue.

## Net Market Exposure

A measure of the Company's net equity exposure. It is calculated as the total of all long exposures (less the total of any exposures hedging the portfolio) less the total of all short exposures.

## Ongoing Charges

Total operational expense (excluding finance costs and taxation) incurred by the Company as a percentage of average **net asset values**.

## 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 (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

## Portfolio Manager

Nitin Bajaj is the appointed **Portfolio Manager** of the Company and is responsible for managing the Company's assets.

## Pre-emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply **pre-emption rights** provision, up to 10% 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 Asset Services.

## Return

The **return** generated in a given period from 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 for additional shares (for share price total return) or in 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 receive 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 Managers' 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 current Management Agreement can be found in the Directors' Report on page 27.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Investment management</b>	<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>	Details of the Company's investment objective, its strategy and investment policy, including limits, are on pages 12 and 13.
<b>Risk management</b>	<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 is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under 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, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</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 internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 13 to 15 and in Note 17 to the Financial Statements on pages 59 to 65.
<b>Valuation of illiquid assets</b>	The Directive requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.

# Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Leverage</b>	<p>The Company uses leverage to increase its exposure to the stockmarkets of the Asian Region (excluding Japan) and currently holds derivative instruments 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 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. There have been no changes to the maximum level of leverage that the Company may employ during the year.</p> <p>At 31 July 2018, actual leverage was 1.14 for the Gross Method and 1.09 for the Commitment Method.</p>
<b>Liquidity management</b>	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 62.
<b>Remuneration of the AIFM</b>	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at <a href="http://www.fidelityinternational.com/global/remuneration/default.page">www.fidelityinternational.com/global/remuneration/default.page</a> .

## EU Securities Financing Transactions Regulation ("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 July 2018 all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral Granted £'000	Collateral Received £'000
Deutsche Bank AG (UK)	(13)	0.00%	–	–
Goldman Sachs International (UK)	91	0.03%	–	–
HSBC Bank plc (UK)	(189)	0.11%	–	213
Morgan Stanley & Co. International Plc	(9)	-0.07%	–	38
UBS AG	318	0.00%	457	–

Collateral granted was denominated in 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 July 2018 from CFDs was a loss of £1,779,000.



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