

**Annual Results for the year ended 31 December 2018**

**Financial Highlights:**

- As a result of adopting the Variable Management Fee from 1 July 2018, the Company saw a reduction in ongoing charges from 1.31% to 1.10%, which resulted in a saving of £386,000
- In the absence of a global recession, Japanese companies should continue to deliver moderate earnings growth in the mid to upper single digit range

**Contacts**

**For further information, please contact:**

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## CHAIRMAN'S STATEMENT

### PERFORMANCE REVIEW

It is disappointing to have to report that over the period under review, the Company's net asset value ("NAV") per share fell by 15.4% in sterling terms while the share price declined by 16.2%, underperforming the Reference Index, which returned -8.3%. The performance had been good up until September 2018, but market sentiment deteriorated rapidly in the final three months of the year and returns turned negative. The sell-off in the fourth quarter impacted all assets globally, such that 2018 was a negative year generally. Despite this, on a three year basis your Company was still well ahead of the average of the peer group as well as the Reference Index.

Holdings in machinery related companies were sold on concerns over US-China trade tensions and a slowdown in the global economy. At the same time, the Company was underweight in low growth defensive sectors, such as utilities and land transportation, which further constrained performance in an environment of uncertainty. On a positive note, individual stock picks among innovative services and consumer related companies added value.

Since the end of the reporting year and up to 28 February 2019, performance has been positive. The NAV per share return was 9.1%, the share price return was 8.3% and the Reference Index return was 1.6%. Over the same two months, the Company's NAV per share return ranked number one amongst the peer group.

### MANAGEMENT FEES

As mentioned in last year's Annual Report, the Board agreed a new fee structure with the Manager which was effective from 1 July 2018. The new fee reduced the annual fee from 0.85% of **gross** assets to 0.70% of **net** assets. In addition, with effect from 1 October 2018, there is a +/- 0.20% variable fee which is based on performance relative to the Reference Index. The maximum fee that the Company would therefore pay is 0.90% of net assets. However, if the Company underperforms against the Reference Index, then the overall fee could fall as low as 0.50% of net assets. The change from using gross assets to net assets provides a significant reduction in the base fee taking into account the current level of gearing.

As a result of the underperformance of the Company in the last three months of the year, the management fee was 0.81% of net assets, partly reflecting the higher fee in the first half of the year under the previous arrangement. Had the previous management fee agreement been in place for the whole of 2018 the fee for the year would have been £2,229,000. Therefore, the new fee agreement has resulted in a saving of £386,000.

### ONGOING CHARGES

The ongoing charges for the reporting year were 1.10% which is lower than the previous year's figure of 1.31% and a reduction from 2.17% over the last ten years. The AIC Japan Peer Group average was 0.85%. It is expected that the Company's ongoing charges will reduce even further in 2019 as the new fee arrangement will have been in place for a full year.

### GEARING

The Company continues to gear the portfolio through the use of long contracts for difference ("CFDs"). Total portfolio exposure at the end of the year was £216.0m, equating to gearing of 15.2% compared with 18.7% at the end of 2017. Further information can be found in the Strategic Report.

The Board continues to be of the view that using CFDs provides more flexibility for the Company's needs at a much lower cost than traditional bank debt, despite the low level of interest rates.

### DUE DILIGENCE TRIP

Towards the end of January 2019, the Board carried out a due diligence visit to Japan, having not undertaken such a trip since 2017. Starting in Tokyo, we visited Fidelity International's Japanese office, met with its analysts and reviewed Fidelity's investment and research processes. We also met with several economists and market specialists which allowed us to formulate a good overview of the current backdrop in Japan and better understand the context in which the team is investing.

We then attended company meetings with internet shopping operator Zozo and ARUHI, a provider of customer focused mortgage products. Having travelled to Hamamatsu, we visited musical instrument manufacturer Yamaha Corporation and undertook a tour of its innovation centre. Yamaha Corporation is also a producer of audio/visual products, semiconductors, machine tools and industrial robots. In Anjō City, Aichi Prefecture, we also met with power tools manufacturer Makita. The trip ended in Kyoto, where we met with and were taken on a factory tour of Shimadzu, a producer of precision instruments, measuring instruments and medical equipment.

These meetings allowed us to observe both the Portfolio Manager and Fidelity's analysts in action as they discussed and challenged management teams and allowed us to develop better informed views of some of the major holdings in the portfolio.

### COMPANY CHANGES

At the Annual General Meeting on 22 May 2018, shareholders approved various changes to the Company. Briefly, these included the adoption of a revised investment objective which better reflects the Portfolio Manager's investment approach of investing across all sectors of the market. This also allows the Portfolio Manager greater flexibility in moving between market capitalisation segments as opportunities arise and increases the allocation permitted in unlisted investments from 5% to 10% of gross assets. The Portfolio Manager can thus invest in companies before they are brought to the wider stock market in an Initial Public Offering ("IPO"), a strategy which was successfully achieved with Raksul during the year.

The Company also adopted the name of Fidelity Japan Trust PLC and the Reference Index was changed to the TOPIX Index ("Tokyo Stock Exchange TOPIX Total Return Index" in sterling terms) from the Russell Nomura Mid/Small Cap Index (in sterling terms). In addition, the Company also moved to the wider AIC Japan peer group.

The Board believes that these changes better align with the opportunities available to the Portfolio Manager and should improve the long term marketability of the Company.

### BOARD CHANGES

Further to the announcement made on 1 February 2018 and in last year's Annual Report, Mami Mizutori resigned as a non-executive Director of the Company to take up a high profile position with the United Nations.

The Board was pleased to welcome Sarah MacAulay and David Graham who were both appointed as non-executive Directors on 22 May 2018. They will also serve as members of the Audit, Management Engagement and Nomination Committees.

Sarah has twenty years of Asian investment experience, managing and marketing portfolios across numerous jurisdictions. She is a non-executive Director of Schroder Asian Total Return Investment Company plc, Aberdeen New Thai Investment Trust plc and JPMorgan Multi-Asset Trust plc. Previously she was a Director of Baring Asset Management (Asia) Limited and Asian Investment Manager at Kleinwort Benson and also Eagle Star.

David is a Chartered Accountant and a non-executive Director of Templeton Emerging Markets Investment Trust plc and JPMorgan Chinese Investment Trust plc. He also serves on the boards of DSP India Investment Fund and DSP India Fund, both umbrella fund structures providing access to Indian equity and fixed income markets. His career has been in investment management, firstly as a Japanese and Asian Fund Manager with Lazards and then building businesses, establishing offices and managing client relationships for BlackRock across Japan, Asia Pacific, UK, Europe, Middle East and Africa.

Sarah and David will be subject to election by shareholders at the Annual General Meeting (“AGM”) on 21 May 2019. All other Directors are subject to annual re-election. Biographical details of the full Board are included in the Annual Report to assist shareholders when considering their voting at the AGM.

#### **DISCOUNT MANAGEMENT AND SHARE REPURCHASES AND TREASURY SHARES**

During the reporting year, 470,500 ordinary shares were repurchased for holding in Treasury. Since the year end, and as at the date of this report, 190,033 ordinary shares have been repurchased for holding in Treasury.

#### **BREXIT**

The Board is mindful of the uncertainty caused by Brexit and continues to monitor any impact on the Company. That being said, as the Company is a UK business with predominantly UK investors and no overseas suppliers, the Board's focus is on the impact of market and investment risk as well as the potential impact on the exchange rate.

#### **ANNUAL GENERAL MEETING**

The AGM of the Company will be held at 4.00pm on 21 May 2019 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 in the Annual Report.

The AGM is the most important meeting that the Board has with shareholders each year and we encourage all investors to attend. The Board looks forward to the opportunity to speak to shareholders of the Company. The Portfolio Manager will also provide a presentation on the past year and the prospects for the coming year.

#### **CONTINUATION VOTE**

The Board recommends that shareholders vote in support of the resolution to approve the continuation of the Company for a further three years which is being proposed at the AGM. Despite the disappointing performance during the reporting year, the Board would draw shareholders' attention to the table on page 20 and the chart on page 31 of the Annual Report showing the ten year record of the Company and its cumulative outperformance over that decade against the Reference Index.

#### **OUTLOOK**

Macroeconomic fundamentals remain stable in Japan and the stock market has rebounded from the fourth quarter sell-off. However, markets generally remain susceptible to the effects of trade frictions on the global economy and slowing growth in China and Europe. While external headwinds may prove challenging at times, a benign domestic economic and policy backdrop together with attractive valuations are supportive of Japanese equities. We, as a Board, remain confident in the long term future of the Company as our Portfolio Manager takes advantage of the growth opportunities identified by him and his research team.

#### **DAVID ROBINS**

**Chairman**

28 March 2019

## PORTFOLIO MANAGER’S REVIEW

**Nicholas Price was appointed as Portfolio Manager of Fidelity Japan Trust PLC on 1 September 2015. He joined Fidelity Investments Japan in 1993 as a research analyst. He became a portfolio manager in 1999 and has since been managing a number of Japanese equity portfolios on behalf of both domestic and overseas clients.**

### Question

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

### Answer

The Japanese equity market faced increasing headwinds as the year progressed, with an escalation of global risk factors causing a sharp downturn in sentiment. Tightening financial conditions in the US, concerns over the momentum of global growth, the threat of a US-China trade war, and political tensions in Europe created a persistent sense of uncertainty. As these concerns spread across asset markets, overseas investors turned aggressive sellers of Japanese equities and the fourth quarter in 2018 marked the steepest decline since the global financial crisis ten years ago.

The increased risk aversion, combined with Brexit uncertainties and weaker economic data in the UK, saw the yen appreciate to ¥140 against sterling, which offered some support for sterling-based returns.

In this environment, sector returns displayed a clear tilt towards defensive and domestic oriented groups. Only power utilities ended the year in positive territory, despite seeing an overall decline in earnings. Conversely, commodity and material stocks, as well as China related cyclicals, experienced the steepest declines. In terms of style, earnings, quality and value related factors all suffered, and proved challenging for stock-pickers. Low foreign ownership stocks outperformed given the deterioration in foreign investors’ risk appetite.

The increase in market volatility and the rotation towards defensive sectors and styles came despite the continued, albeit slowing, growth in corporate earnings and solid domestic fundamentals, particularly in terms of increasingly tight employment conditions. From a valuation perspective, Japanese stocks priced in a significant degree of risk and look undervalued. With valuations at historical lows in some parts of the market, there are opportunities to capitalise on unwarranted discounts, as well as disconnects between excessively negative market sentiment and the more encouraging prospects for companies in the mid to long term.

### Question

What have been the key contributors to performance? And detractors?

### Answer

The Company benefited from the strong contribution from holdings in Yamaha Corporation (a maker of musical instruments), Raksul (a provider of online printing services) and Asahi Intecc (a manufacturer of medical equipment). Ultimately, however, stock selection drives performance and the aggregate level of contribution was negative over the year. Individual holdings that weighed on returns included Sysmex (a maker of clinical laboratory equipment), Yume no Machi Souzou linkai (a provider of online food delivery services) and UT Group (a worker dispatch company). These companies are still held in the portfolio.

### Question

Have there been any significant changes to your strategy?

### Answer

No, there has been no significant change to my underlying investment approach or strategy. The Company continues to be driven by stock specific factors, with a preference for companies with attractive business models that can exceed earnings expectations over the mid term. I aim to generate outperformance from holdings in consistent growth companies across the market cap spectrum and to identify signs of positive change over the mid to long term. In particular, mid and small cap growth stocks continue to provide a wealth of under-researched, compelling investment opportunities in Japan.

In line with this approach, areas where I see potential investment opportunities in the coming year include:

- Stable growth companies that can increase earnings as the global economy shifts from acceleration to stabilisation.
- High quality services and machinery companies geared to structural growth trends, such as recruitment, medical technology and automation.
- Under-researched companies with new and interesting business models, and unlisted opportunities.

### Question

A number of interesting new business models have come to market this year. Have you been seeing investment opportunities in the Initial Public Offering (“IPO”) space?

### Answer

The position in printing services company Raksul, which successfully listed on the TSE Mothers Index at the end of May 2018, made a strong contribution to returns over the year. Indeed, the value of the Company’s original investment in Raksul quadrupled following the IPO, showing the success that can be had from investing in companies at the pre-IPO stage.

There has been a steady increase in IPOs since the global financial crisis in 2008. We typically see around 100 IPOs per year in Japan, predominantly on the TSE Mothers and other start-up markets. We continue to look for early stage ideas, particularly among innovative services and internet based companies, although, at the end of the review period, the portfolio did not hold any unlisted securities.

### Question

Japan is more exposed than many other countries to the vagaries of global trade. How concerned are you about a strengthened yen and the macro picture more broadly?

### Answer

Despite a slowdown in external demand, economic activity in Japan is likely to be sustained by domestic demand, with inflation remaining subdued and the Bank of Japan maintaining its existing monetary policy. Under such conditions, I would not expect the portfolio to face significant headwinds.

The key risk factors that could derail this scenario are a significant deterioration in economic conditions among Japan's major trading partners, a further escalation of trade frictions between the US and China, and sustained yen strength, which tends to impact the market negatively.

Having said that, the portfolio is neutral in terms of currency exposure versus the Reference Index and tends to have a higher weighting towards domestic oriented companies in the mid and small cap space. Indeed, 70% of the portfolio's underlying revenue streams are generated within Japan.

One concern I do have is how the secondary effects of a sustained reversal in global trade and the economic cycle would affect certain companies held in the portfolio. For example, providers of staffing and recruitment services such as UT Group and Recruit Holdings would be susceptible to the scaling back of corporate activity and associated demand for labour. This is something that we continue to watch closely for specific companies in the portfolio.

**Question**

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

**Answer**

The Company's allocation to the diverse chemicals sector has been increased, primarily through holdings in Kosé and NOF. Cosmetics company Kosé is evolving into a global growth company by expanding overseas sales of its high-end products, particularly in China, where its brand appeal is steadily rising. NOF is a highly profitable maker of niche chemicals, including surfactants (raw materials for cosmetics and toiletry related products) and drug delivery systems. It is a relatively under-researched company that is gradually gaining recognition for the stability of its earnings growth and generous shareholder returns. Among domestic oriented companies, new positions in unique growth companies have been added, including Don Quijote (discount stores) and Kamakura Shinsho (funeral services).

Conversely, I took profits in the pharmaceuticals sector, especially in Nippon Shinyaku, which had been a strong performer over the past three years and faced increasing competition. I also sold the position in robot maker Fanuc amid slowing demand from the smartphone industry. The holding in life insurer Dai-ichi Life was sold on reduced expectations for long term interest rates.

Meanwhile, the Company continues to have a relatively large exposure to the services, electric appliances and machinery sectors. Key positions include Recruit Holdings (staffing/ recruitment), Makita (power tools) and Keyence (factory automation sensors). Conversely, low growth defensive sectors and interest rate sensitive financials have limited representation in the portfolio.

**Question**

How has your use of gearing changed over the period under review?

**Answer**

The Japanese market advanced strongly in 2017 and I took profits in stocks that had outperformed, as well as those at relatively high valuations. Towards the end of 2018, I capitalised on the steep market correction to increase positions in oversold electronics and machinery stocks. This is reflected in the rise in gearing from 15.2% as at 31 December 2018 to 16.1% at the end of February 2019.

As we move into the final stages of Japan's fiscal year which ends in March 2019, I am inclined to see how stocks behave in relation to earnings announcements and selectively add names as I see fit. New investment ideas are also opportunities which may lead to a moderate increase in the Company's level of gearing. These new ideas include, for example, companies that are likely to be considered more favourably as internal change leads to a period of renewed growth.

**Question**

What is your outlook for the months ahead?

**Answer**

We have seen investors become increasingly anxious about the economic cycle and the timing of the next downturn, as evidenced by the recent weakness in financial markets. Despite the increased volatility in risk assets, global economic indicators remain relatively positive and do not suggest that the cycle is about to end abruptly. The Japanese economy is stable, supported by growth in employment and business spending. The Bank of Japan is likely to maintain its existing policy framework and countermeasures will be deployed to mitigate the effects of the October 2019 consumption tax hike. While growth is set to moderate in line with global trends, the Japanese economy should continue to expand above its long term rate.

Whilst central banks appear to be holding back from further normalisation/tightening of monetary policy, trade frictions and the outlook for both the Chinese economy and the European Union are key risks. Global trade growth has already slowed and the threat from US-China tensions is impacting sentiment. In addition, the market may suffer further setbacks as a result of ongoing tensions on the Korean Peninsula.

The outlook for equity returns is tempered by slowing earnings growth. While this has already been priced in to a large extent, it may have been overdone given that the dislocation between low volatility stocks, where prices have been inflated, and cyclicals is now evident.

In the absence of a global recession, Japanese companies should continue to deliver moderate earnings growth in the mid to upper single digit range. Combined with attractive valuations, a benign policy backdrop and progress in structural reforms, the risk/reward balance for Japanese stocks is favourable over the mid to long term.

**NICHOLAS PRICE**

Portfolio Manager

28 March 2019

# STRATEGIC REPORT

## 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, including those that would threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the “Manager”), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key 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 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 material 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. The Portfolio Manager’s 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 16 to the Financial Statements 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 application of risks such as strategy, asset allocation and stock selection of the portfolio and the risk associated with Japan and industry sectors within the parameters of the objective and strategy. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term results as the Company is more exposed to volatility in the shorter term. The Company’s objective and investment policy, its name, the Reference Index and the peer group have changed in the reporting year, to more accurately reflect how the Portfolio Manager manages the portfolio.</p> |
| <b>Geopolitical risk</b>     | <p>Political change can also impact the Company’s assets, such as a US led trade war, North Korean tensions and Brexit risks. Further commentary on these risks is contained in the Chairman’s Statement and Portfolio Manager’s Review. The Portfolio Manager’s success or failure to protect and increase the Company’s assets against this background is core to the Company’s continued success.</p>   |
| <b>Discount control risk</b> | <p>The Board cannot control the discount at which the Company’s ordinary share price trades in relation to net asset value. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. 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 make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. In a rising market the Company will benefit from gearing, whilst 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 is 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 significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.</p>  |
| <b>Currency risk</b>         | <p>Most of the Company’s assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is sterling. Consequently, it is subject to currency risk on exchange rate movements between yen and sterling. It is the Company’s policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements.</p>   |

Other risks facing the Company include:

## CYBERCRIME RISK

The risk from cybercrime is significant and the Board receives regular updates from the Manager on emerging cybercrime threats. The Manager’s technology team continues with initiatives to strengthen the control environment in relation to this ever increasing threat.

## TAX AND REGULATORY RISKS

There is a risk to the Company of not complying with tax and regulatory requirements. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status resulting in the Company being subject to tax on capital gains.

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 compliance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers’ own internal controls reports are received by the Board on an annual basis and any concerns are investigated.

## CONTINUATION VOTE

A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance of the Company’s NAV and share price is poor. At the Company’s AGM held on 24 May 2016, 99.49% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at this year’s AGM on 21 May 2019 and the Directors expect this will be approved. See the Chairman’s statement for further details.

## 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 that three 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 of the viability of the Company, the Board has taken account of the Company’s current position, the principal risks that it faces and their potential impact on its future development and prospects and the Company’s objective and strategy. The Company’s working capital is strong because the portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary and the operating costs and income are modest in comparison to the Company’s total assets. Furthermore, Japanese equities have a long term future and the Manager has a strong track record for delivering positive returns over the long term in this sector. The Directors, therefore, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

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. As previously mentioned, the Company is also subject to a continuation vote at the AGM on 21 May 2019 and based on the factors mentioned above, together with the Company's long term performance, the Board has a reasonable expectation that this vote will be approved.

### **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.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and loss 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 28 March 2019 and signed on its behalf by:

**DAVID ROBINS**

Chairman

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

|   | Notes | Year ended 31 December 2018 |                  |                 | Year ended 31 December 2017 |                  |                |
|---|-------|-----------------------------|------------------|-----------------|-----------------------------|------------------|----------------|
|   |       | revenue<br>£'000            | capital<br>£'000 | total<br>£'000  | revenue<br>£'000            | capital<br>£'000 | total<br>£'000 |
| (Losses)/gains on investments   | 9     | –                           | (27,452)         | (27,452)        | –                           | 44,049           | 44,049         |
| (Losses)/gains on derivative instruments  | 10    | –                           | (6,873)          | (6,873)         | –                           | 13,084           | 13,084         |
| Income  | 3     | 2,795                       | –                | 2,795           | 2,568                       | –                | 2,568          |
| Investment management fees  | 4     | (1,939)                     | 96               | (1,843)         | (2,016)                     | –                | (2,016)        |
| Other expenses  | 5     | (555)                       | –                | (555)           | (461)                       | –                | (461)          |
| Foreign exchange gains/(losses)   |       | –                           | 70               | 70              | –                           | (304)            | (304)          |
| <b>Net return/(loss) on ordinary activities before finance costs and taxation</b> |       | <b>301</b>                  | <b>(34,159)</b>  | <b>(33,858)</b> | 91                          | 56,829           | 56,920         |
| Finance costs   | 6     | (143)                       | –                | (143)           | (175)                       | –                | (175)          |
| <b>Net return/(loss) on ordinary activities before taxation</b>                   |       | <b>158</b>                  | <b>(34,159)</b>  | <b>(34,001)</b> | (84)                        | 56,829           | 56,745         |
| Taxation on return/(loss) on ordinary activities                                  | 7     | (255)                       | –                | (255)           | (211)                       | –                | (211)          |
| <b>Net (loss)/return on ordinary activities after taxation for the year</b>       |       | <b>(97)</b>                 | <b>(34,159)</b>  | <b>(34,256)</b> | (295)                       | 56,829           | 56,534         |
| <b>(Loss)/return per ordinary share</b>   | 8     | <b>(0.07p)</b>              | <b>(25.22p)</b>  | <b>(25.29p)</b> | (0.22p)                     | 41.88p           | 41.66p         |

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

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

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

The Notes form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

|  | Note | share<br>capital<br>£'000 | share<br>premium<br>account<br>£'000 | capital<br>redemption<br>reserve<br>£'000 | other<br>reserve<br>£'000 | capital<br>reserve<br>£'000 | revenue<br>reserve<br>£'000 | total<br>shareholders'<br>funds<br>£'000 |
|--|------|---------------------------|--------------------------------------|---|---------------------------|-----------------------------|-----------------------------|--|
| <b>Total shareholders' funds at 31 December 2017</b>                 |      | <b>34,041</b>             | <b>20,722</b>                        | <b>2,767</b>                              | <b>56,474</b>             | <b>123,197</b>              | <b>(14,674)</b>             | <b>222,527</b>                           |
| Repurchase of ordinary shares  | 13   | –                         | –                                    | –   | (741)                     | –                           | –                           | (741)                                    |
| Net loss on ordinary activities after taxation for the year          |      | –                         | –                                    | –   | –                         | (34,159)                    | (97)                        | (34,256)                                 |
| <b>Total shareholders' funds at 31 December 2018</b>                 |      | <b>34,041</b>             | <b>20,722</b>                        | <b>2,767</b>                              | <b>55,733</b>             | <b>89,038</b>               | <b>(14,771)</b>             | <b>187,530</b>                           |
| <b>Total shareholders' funds at 31 December 2016</b>                 |      | <b>34,041</b>             | <b>20,722</b>                        | <b>2,767</b>                              | <b>56,886</b>             | <b>66,368</b>               | <b>(14,379)</b>             | <b>166,405</b>                           |
| Repurchase of ordinary shares  | 13   | –                         | –                                    | –   | (412)                     | –                           | –                           | (412)                                    |
| Net return/(loss) on ordinary activities after taxation for the year |      | –                         | –                                    | –   | –                         | 56,829                      | (295)                       | 56,534                                   |
| <b>Total shareholders' funds at 31 December 2017</b>                 |      | <b>34,041</b>             | <b>20,722</b>                        | <b>2,767</b>                              | <b>56,474</b>             | <b>123,197</b>              | <b>(14,674)</b>             | <b>222,527</b>                           |

The Notes form an integral part of these Financial Statements.

## BALANCE SHEET AS AT 31 DECEMBER 2018

Company number 2885584

|   | Notes | 2018<br>£'000 | 2017<br>£'000 |
|---|-------|---------------|---------------|
| <b>Fixed assets</b>                       |       |               |               |
| Investments                               | 9     | 185,987       | 221,792       |
| <b>Current assets</b>                     |       |               |               |
| Derivative instruments                    | 10    | 269           | 1,123         |
| Debtors                                   | 11    | 3,263         | 652           |
| Cash collateral held with brokers         | 16    | 7,611         | –             |
| Cash at bank                              |       | –             | 908           |
|   |       | 11,143        | 2,683         |
| <b>Creditors</b>                          |       |               |               |
| Derivative instruments                    | 10    | (6,529)       | (456)         |
| Bank overdraft                            |       | (1,718)       | –             |
| Other creditors                           | 12    | (1,353)       | (1,492)       |
|   |       | (9,600)       | (1,948)       |
| <b>Net current assets</b>                 |       | 1,543         | 735           |
| <b>Net assets</b>                         |       | 187,530       | 222,527       |
| <b>Capital and reserves</b>               |       |               |               |
| Share capital                             | 13    | 34,041        | 34,041        |
| Share premium account                     | 14    | 20,722        | 20,722        |
| Capital redemption reserve                | 14    | 2,767         | 2,767         |
| Other reserve                             | 14    | 55,733        | 56,474        |
| Capital reserve                           | 14    | 89,038        | 123,197       |
| Revenue reserve                           | 14    | (14,771)      | (14,674)      |
| <b>Total shareholders' funds</b>          |       | 187,530       | 222,527       |
| <b>Net asset value per ordinary share</b> | 15    | 138.77p       | 164.10p       |

The Financial Statements were approved by the Board of Directors and authorised for issue on 1 March 2019 and were signed on its behalf by:

**DAVID ROBINS**  
Chairman

The Notes form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACTIVITY

Fidelity Japan Trust PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2885584, 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 February 2018 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 loss after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

#### e) Income

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

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

#### f) Investment management fees and other expenses

Investment management fees and other expenses are accounted for on an accruals basis. The base investment management fee and other expenses are charged in full to revenue. The variable investment management fee, effective from 1 October 2018, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Reference Index.

#### g) Functional currency and foreign exchange

The Directors, having regard to the Company's share capital, the predominant currency in which its investors operate and the currency in which expenses are paid, have determined its functional currency to be sterling. Sterling is also the currency in which the Financial Statements are presented. Transactions denominated in foreign currencies are reported in 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 on bank overdrafts and interest paid on long CFDs, which are accounted for on an accruals basis. Finance costs are charged in full to the revenue column of the Income Statement.

#### i) Taxation

The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. 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) 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.
- 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 management team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within (losses)/gains on investments in the capital column of the Income Statement and has disclosed these costs in Note 9.

#### k) Derivative instruments

When appropriate, permitted transactions in derivative instruments are used. Some of the Company's portfolio exposure to Japanese equities is achieved by investment in long CFDs. Long CFDs 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 CFDs are valued at the difference between the strike price and the value of the underlying shares in the contract.

#### l) Debtors

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

#### m) Cash collateral held with brokers

These are amounts held in segregated accounts as collateral on behalf of brokers and are subject to an insignificant risk of changes in value.

#### n) Other creditors

Other creditors include securities purchased for future settlement, 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.

#### o) 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; and
- Costs of repurchasing ordinary shares.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10, 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. The exception at the prior year end was the level 3 investment which had unrealised foreign exchange losses of £92,000.

### 3 INCOME

|                                 | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|---------------------------------|---------------------------------|---------------------------------|
| <b>Investment income</b>        |                                 |                                 |
| Overseas dividends              | 2,551                           | 2,111                           |
| <b>Derivative income</b>        |                                 |                                 |
| Dividends received on long CFDs | 244                             | 457                             |
| <b>Total income</b>             | <b>2,795</b>                    | 2,568                           |

### 4 INVESTMENT MANAGEMENT FEES

|  | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|--|---------------------------------|---------------------------------|
| Investment management fees – base (charged to revenue)     | 1,939                           | 2,016                           |
| Investment management fees – variable (charged to capital) | (96)                            | –                               |
|  | <b>1,843</b>                    | 2,016                           |

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

From the 1 July 2018, the Company adopted a new fee arrangement which reduced the base management fee from 0.85% of gross assets to 0.70% of net assets. In addition, with effect from 1 October 2018, there is a +/- 0.20% variation based on performance relative to the Reference Index. Fees are payable monthly in arrears and are calculated on a daily basis.

Prior to this date, FIL charged portfolio management services fees at an annual rate of 0.85% of gross assets under management. Fees were paid quarterly in arrears and calculated on the last business day of March, June, September and December.

Further details of the terms of the Management Agreement are given in the Directors' Report.

## 5 OTHER EXPENSES

|  | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|--|---------------------------------|---------------------------------|
| AIC fees   | 14                              | 10                              |
| Secretarial and administration fees payable to the Investment Manager                              | 47                              | 47                              |
| Custody fees   | 23                              | 18                              |
| Depositary fees  | 24                              | 16                              |
| Directors' expenses  | 2                               | 28                              |
| Directors' fees <sup>1</sup>   | 141                             | 113                             |
| Legal and professional fees  | 82                              | 50                              |
| Marketing expenses   | 100                             | 67                              |
| Printing and publication expenses  | 61                              | 53                              |
| Registrars' fees   | 24                              | 21                              |
| Sundry other expenses  | 13                              | 14                              |
| Fees payable to the Company's Independent Auditor for the audit of the annual financial statements | 24                              | 24                              |
|  | -----                           | -----                           |
|  | <b>555</b>                      | <b>461</b>                      |
|  | =====                           | =====                           |

<sup>1</sup> Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report.

## 6 FINANCE COSTS

|                             | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|-----------------------------|---------------------------------|---------------------------------|
| Interest paid on long CFDs  | 141                             | 175                             |
| Interest on bank overdrafts | 2                               | -                               |
|                             | -----                           | -----                           |
|                             | <b>143</b>                      | <b>175</b>                      |
|                             | =====                           | =====                           |

## 7 TAXATION ON RETURN ON ORDINARY ACTIVITIES

|  | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|--|---------------------------------|---------------------------------|
| <b>A) ANALYSIS OF TAXATION CHARGE FOR THE YEAR</b> |                                 |                                 |
| Overseas taxation (see Note 7b)                    | 255                             | 211                             |
|  | -----                           | -----                           |
|  | <b>255</b>                      | <b>211</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: 19.25%). A reconciliation of tax at the standard rate of UK corporation tax to the taxation charge for the year is shown below:

|   | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|---|---------------------------------|---------------------------------|
| <b>Net (loss)/return on ordinary activities before taxation</b>   | <b>(34,001)</b>                 | 56,745                          |
|   | -----                           | -----                           |
| Net (loss)/return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2017: 19.25%) | <b>(6,460)</b>                  | 10,923                          |
| Effects of:   |                                 |                                 |
| Losses/(gains) on investments not taxable <sup>1</sup>  | <b>6,508</b>                    | (10,940)                        |
| Income not taxable  | <b>(479)</b>                    | (406)                           |
| Excess management expenses not utilised   | <b>431</b>                      | 423                             |
| Overseas taxation   | <b>255</b>                      | 211                             |
|   | -----                           | -----                           |

Taxation charge for the year (see Note 7a)

255

211

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

### C) DEFERRED TAXATION

A deferred taxation asset of £4,424,000 (2017: £4,038,000), in respect of excess expenses of £26,025,000 (2017: £23,756,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

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

|                                  | Year ended 31 December 2018 |                     |                   | Year ended 31 December 2017 |                   |                 |
|----------------------------------|-----------------------------|---------------------|-------------------|-----------------------------|-------------------|-----------------|
|                                  | revenue<br>(0.07p)          | capital<br>(25.22p) | total<br>(25.29p) | revenue<br>(0.22p)          | capital<br>41.88p | total<br>41.66p |
| (Loss)/return per ordinary share | =====                       | =====               | =====             | =====                       | =====             | =====           |

The returns per ordinary share are based on, respectively the net revenue loss on ordinary activities after taxation for the year of £97,000 (2017: net revenue loss £295,000), the net capital loss on ordinary activities after taxation for the year of £34,159,000 (2017: net capital return £56,829,000) and the net total loss on ordinary activities after taxation for the year of £34,256,000 (2017: net total return £56,534,000), and on 135,439,468 ordinary shares (2017: 135,684,503), being the weighted average number of ordinary shares held outside of Treasury during the year.

### 9 INVESTMENTS

|   | 2018<br>£'000                            | 2017<br>£'000                            |
|---|--|--|
| Listed investments  | 185,987                                  | 220,886                                  |
| Unlisted investments                                      | –  | 906                                      |
| <b>Investments at fair value</b>                          | <b>185,987</b>                           | <b>221,792</b>                           |
| Opening book cost   | 167,559                                  | 128,765                                  |
| Opening investment holding gains                          | 54,233                                   | 33,012                                   |
| <b>Opening fair value</b>                                 | <b>221,792</b>                           | <b>161,777</b>                           |
| <b>Movements in the year</b>                              |  |  |
| Purchases at cost   | 149,012                                  | 156,427                                  |
| Sales – proceeds  | (157,365)                                | (140,461)                                |
| Sales – gains in the year                                 | 11,844                                   | 22,828                                   |
| Movement in investment holding (losses)/gains in the year | (39,296)                                 | 21,221                                   |
| <b>Closing fair value</b>                                 | <b>185,987</b>                           | <b>221,792</b>                           |
| Closing book cost   | 171,050                                  | 167,559                                  |
| Closing investment holding gains                          | 14,937                                   | 54,233                                   |
| <b>Closing fair value</b>                                 | <b>185,987</b>                           | <b>221,792</b>                           |
|   | <b>Year ended<br/>31.12.18<br/>£'000</b> | <b>Year ended<br/>31.12.17<br/>£'000</b> |
| <b>(Losses)/gains on investments for the year</b>         |  |  |
| Gains on sales of investments                             | 11,844                                   | 22,828                                   |
| Investment holding (losses)/gains                         | (39,296)                                 | 21,221                                   |
|   | <b>(27,452)</b>                          | <b>44,049</b>                            |

### INVESTMENT TRANSACTION COSTS

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

|                            | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|----------------------------|---------------------------------|---------------------------------|
| Purchase transaction costs | 61                              | 144                             |
| Sales transaction costs    | 70                              | 126                             |
|                            | <b>131</b>                      | <b>270</b>                      |

The portfolio turnover rate for the year was 63.7% (2017: 80.1%).

## 10 DERIVATIVE INSTRUMENTS

|  | Year ended<br>31.12.18<br>£'000 | Year ended<br>31.12.17<br>£'000 |
|--|---------------------------------|---------------------------------|
| <b>(Losses)/gains on derivative instruments</b>    |                                 |                                 |
| Gains on long CFD positions closed                 | 54                              | 16,612                          |
| Movement in investment holding losses on long CFDs | (6,927)                         | (3,528)                         |
|  | -----                           | -----                           |
|  | <b>(6,873)</b>                  | 13,084                          |
|  | =====                           | =====                           |

## DERIVATIVE INSTRUMENTS RECOGNISED ON THE BALANCE SHEET

|   | 2018                |                                | 2017                |                                |
|---|---------------------|--------------------------------|---------------------|--------------------------------|
|   | fair value<br>£'000 | portfolio<br>exposure<br>£'000 | fair value<br>£'000 | portfolio<br>exposure<br>£'000 |
| Derivative instrument assets – long CFDs      | 269                 | 6,789                          | 1,123               | 31,628                         |
| Derivative instrument liabilities – long CFDs | (6,529)             | 23,226                         | (456)               | 10,697                         |
|   | -----               | -----                          | -----               | -----                          |
|   | <b>(6,260)</b>      | <b>30,015</b>                  | 667                 | 42,325                         |
|   | =====               | =====                          | =====               | =====                          |

## 11 DEBTORS

|                                       | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------|---------------|---------------|
| Securities sold for future settlement | 3,010         | 353           |
| Accrued income                        | 167           | 216           |
| Other debtors and prepayments         | 86            | 83            |
|                                       | -----         | -----         |
|                                       | <b>3,263</b>  | 652           |
|                                       | =====         | =====         |

## 12 OTHER CREDITORS

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Securities purchased for future settlement | 1,138         | 714           |
| Creditors and accruals                     | 215           | 778           |
|  | -----         | -----         |
|  | <b>1,353</b>  | 1,492         |
|  | =====         | =====         |

## 13 SHARE CAPITAL

|   | 2018                |               | 2017                |        |
|---|---------------------|---------------|---------------------|--------|
|   | number of<br>shares | £'000         | number of<br>shares | £'000  |
| <b>Issued, allotted and fully paid</b>                        |                     |               |                     |        |
| <b>Ordinary shares of 25 pence each held outside Treasury</b> |                     |               |                     |        |
| <b>Beginning of the year</b>                                  | 135,606,695         | 33,902        | 135,981,695         | 33,996 |
| Ordinary shares repurchased into Treasury                     | (470,500)           | (118)         | (375,000)           | (94)   |
|   | -----               | -----         | -----               | -----  |
| <b>End of the year</b>  | <b>135,136,195</b>  | <b>33,784</b> | 135,606,695         | 33,902 |
|   | =====               | =====         | =====               | =====  |
| <b>Issued, allotted and fully paid</b>                        |                     |               |                     |        |
| <b>Ordinary shares of 25 pence each held in Treasury*</b>     |                     |               |                     |        |
| <b>Beginning of the year</b>                                  | 555,000             | 139           | 180,000             | 45     |
| Ordinary shares repurchased into Treasury                     | 470,500             | 118           | 375,000             | 94     |
|   | -----               | -----         | -----               | -----  |
| <b>End of the year</b>  | <b>1,025,500</b>    | <b>257</b>    | 555,000             | 139    |
|   | =====               | =====         | =====               | =====  |

|                            |               |               |
|----------------------------|---------------|---------------|
| <b>Total share capital</b> | <b>34,041</b> | <b>34,041</b> |
|                            | =====         | =====         |

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

The Company repurchased 470,500 ordinary shares (2017: 375,000 shares) and held them in Treasury. The £741,000 (2017: £412,000) cost of repurchase was charged to the other reserve.

#### 14 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, exceeds 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 reserve was created in 1999 when the share premium account at that time was cancelled. It can be used to fund share repurchases.

The capital reserve represents realised gains and losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend.

The revenue reserve represents the retained revenue losses recognised in the revenue column of the Income Statement. It could be distributed by way of dividend if it were not in deficit.

#### 15 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £187,530,000 (2017: £222,527,000) and on 135,136,195 (2017: 135,606,695) ordinary shares, being the number of ordinary shares of 25 pence each held outside of Treasury at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

#### 16 FINANCIAL INSTRUMENTS

##### MANAGEMENT OF RISK

The Company's investment activities in pursuit of its 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, geopolitical, discount control, gearing 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. These risks and how they are identified, evaluated and managed are shown in the Strategic Report.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

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

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

##### MARKET PRICE RISK

##### INTEREST RATE RISK

The Company finances its operations through its share capital and reserves. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs which incur funding costs and can provide collateral in yen. The level of gearing is reviewed by the Board and the Portfolio Manager. The Company is exposed to a financial risk arising as a result of increases in yen interest rates associated with the funding of the long CFDs.

##### INTEREST RATE RISK EXPOSURE

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Exposure to financial instruments that bear interest</b> |               |               |
| Long CFDs – portfolio exposure less fair value              | 36,275        | 41,658        |
| Bank overdraft  | 1,718         | –             |
|   | -----         | -----         |
|   | <b>37,993</b> | 41,658        |
|   | =====         | =====         |
| <b>Exposure to financial instruments that earn interest</b> |               |               |
| Cash collateral held with brokers                           | 7,611         | –             |
| Cash at bank  | –             | 908           |
|   | -----         | -----         |
|   | <b>7,611</b>  | 908           |

Net exposure to financial instruments that bear interest

|               |        |
|---------------|--------|
| =====         | =====  |
| <b>30,382</b> | 40,750 |
| =====         | =====  |

### FOREIGN CURRENCY RISK

The Company's net (loss)/return on ordinary activities after taxation for the year and its net assets may be affected by foreign exchange movements because the Company has income and assets which are denominated in yen whereas the Company's functional currency is sterling. The Company may also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs. The Company does not hedge the sterling value of investments or other net assets priced in yen by the use of derivative instruments.

Three significant areas have been identified where foreign currency risk may impact the Company:

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

### CURRENCY EXPOSURE OF FINANCIAL ASSETS

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

|              |   |   |                               |                          | 2018           |
|--------------|---|---|-------------------------------|--------------------------|----------------|
| currency     | investments<br>held at<br>fair value<br>£'000 | long<br>exposure to<br>derivative<br>instruments<br>£'000 | debtors <sup>1</sup><br>£'000 | cash at<br>bank<br>£'000 | total<br>£'000 |
| Japanese yen | 185,987                                       | 30,015  | 10,788                        | –                        | 226,790        |
|              | =====   | =====   | =====                         | =====                    | =====          |

<sup>1</sup> Debtors include amounts held at futures clearing houses and brokers and exclude other debtors and prepayments of £86,000 which are denominated in sterling.

|              |   |   |                               |                          | 2017           |
|--------------|---|---|-------------------------------|--------------------------|----------------|
| currency     | investments<br>held at<br>fair value<br>£'000 | long<br>exposure to<br>derivative<br>instruments<br>£'000 | debtors <sup>1</sup><br>£'000 | cash<br>at bank<br>£'000 | total<br>£'000 |
| Japanese yen | 221,792                                       | 42,325  | 569                           | 908                      | 265,594        |
|              | =====   | =====   | =====                         | =====                    | =====          |

<sup>1</sup> Excludes other debtors and prepayments of £83,000 which are denominated in sterling.

### CURRENCY EXPOSURE OF FINANCIAL LIABILITIES

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

|              |                            |                             |  | 2018           |
|--------------|----------------------------|-----------------------------|--|----------------|
| currency     | bank<br>overdraft<br>£'000 | other<br>creditors<br>£'000 |  | total<br>£'000 |
| Japanese yen | 1,718                      | 1,138                       |  | 2,856          |
|              | =====                      | =====                       |  | =====          |
|              |                            |                             |  | 2017           |
| currency     | bank<br>overdraft<br>£'000 | other<br>creditors<br>£'000 |  | total<br>£'000 |
| Japanese yen | –                          | 714                         |  | 714            |
|              | =====                      | =====                       |  | =====          |

### 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 at least 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 managing and monitoring the existing portfolio, selected in accordance with the overall asset allocation parameters described above, and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

### LIQUIDITY RISK

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

## LIQUIDITY RISK EXPOSURE

At 31 December 2018, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £6,529,000 (2017: £456,000), bank overdraft of £1,718,000 (2017: nil) and other creditors of £1,353,000 (2017: £1,492,000).

## COUNTERPARTY RISK

The long CFDs in which the Company invests are not traded on an exchange but instead are traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. 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 it believes 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 evaluates derivative instrument credit risk exposure.

## CASH COLLATERAL

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2018, £7,611,000 (2017: nil) was held in the broker collateral account in cash to reduce the credit risk exposure of the broker against the company's unrealised losses on derivative positions. At 31 December 2018, no collateral amounts were held by the Company at JPMorgan (2017: £1,250,000) as the Company had no unrealised profits on its derivative positions.

## 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, long CFD contracts and cash at bank.

## DERIVATIVE INSTRUMENTS RISK

The risks and risk management processes which result from the use of long CFDs are included within the risk categories disclosed above. Long CFDs are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of long CFDs held in the Company's portfolio is overseen by the Manager's experienced, specialist derivative instruments team that uses portfolio risk assessment and construction tools to manage risk and investment performance.

## RISK SENSITIVITY ANALYSIS

### INTEREST RATE RISK SENSITIVITY ANALYSIS

Based on the financial instruments held and interest rates at 31 December 2018, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the net loss on ordinary activities after taxation for the year and decreased the net assets of the Company by £75,000 (2017: decreased the net return and net assets by £102,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

### FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

Based on the financial instruments held and currency exchange rates at 31 December 2018, a 10% strengthening of the sterling exchange rate against the yen, with all other variables held constant, would have increased the Company's net loss on ordinary activities after taxation for the year and decreased the Company's net assets by £20,357,000 (2017: decreased the net return and net assets by £24,079,000). A 10% weakening of the sterling exchange rate against the yen would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the Company's net assets by £24,881,000 (2017: increased the net return and net assets by £29,431,000).

### OTHER PRICE RISK – EXPOSURE TO INVESTMENTS RISK SENSITIVITY ANALYSIS

Based on the investments held and share prices at 31 December 2018, an increase of 10% in share prices, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £18,599,000 (2017: increased the net return and net assets by £22,179,000). A decrease of 10% in share prices would have had an equal and opposite effect.

### OTHER PRICE RISK – EXPOSURE TO DERIVATIVE INSTRUMENTS RISK SENSITIVITY ANALYSIS

Based on the long CFDs held and share prices at 31 December 2018, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £3,002,000 (2017: increased the net return and net assets by £4,233,000). A decrease of 10% in share prices would have had an equal and opposite effect.

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

## FAIR VALUE HIERARCHY

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

| Classification | Input  |
|----------------|--|
| Level 1        | Valued using quoted prices in active markets for identical assets  |
| Level 2        | Valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1 |
| Level 3        | Valued by reference to valuation techniques using inputs that are not based on observable market data                |

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

|   | level 1<br>£'000 | level 2<br>£'000 | level 3<br>£'000 | 2018<br>total<br>£'000 |
|---|------------------|------------------|------------------|------------------------|
| <b>Financial assets at fair value through profit or loss</b>      |                  |                  |                  |                        |
| Investments   | 185,987          | –                | –                | 185,987                |
| Derivative instrument assets                                      | –                | 269              | –                | 269                    |
|   | =====            | =====            | =====            | =====                  |
|   | 185,987          | 269              | –                | 186,256                |
|   | =====            | =====            | =====            | =====                  |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                  |                  |                        |

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Derivative instrument liabilities                                 | -       | (6,529) | -       | (6,529) |
|   | =====   | =====   | =====   | =====   |
|   |         |         |         | 2017    |
|   | level 1 | level 2 | level 3 | total   |
|   | £'000   | £'000   | £'000   | £'000   |
| <b>Financial assets at fair value through profit or loss</b>      |         |         |         |         |
| Investments   | 220,886 | -       | 906     | 221,792 |
| Derivative instrument assets                                      | -       | 1,123   | -       | 1,123   |
|   | -----   | -----   | -----   | -----   |
|   | 220,886 | 1,123   | 906     | 222,915 |
|   | =====   | =====   | =====   | =====   |
| <b>Financial liabilities at fair value through profit or loss</b> |         |         |         |         |
| Derivative instrument liabilities                                 | -       | (456)   | -       | (456)   |
|   | =====   | =====   | =====   | =====   |

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

|   |                   |            |
|---|-------------------|------------|
|   | <b>Year ended</b> | Year ended |
|   | <b>31.12.18</b>   | 31.12.17   |
|   | <b>level 3</b>    | level 3    |
|   | <b>£'000</b>      | £'000      |
| <b>Beginning of the year</b>                  | <b>906</b>        | 958        |
| Transfer out of Level 3 – Raksul <sup>1</sup> | <b>(906)</b>      | -          |
| Foreign exchange movement                     | -                 | (52)       |
|   | -----             | -----      |
| <b>End of the year</b>                        | -                 | 906        |
|   | =====             | =====      |

<sup>1</sup> Raksul was transferred out of level 3 during the year when the Company was listed.

## 17 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed on the Balance Sheet, and its gearing which is achieved through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its objective, both of which are detailed in the Strategic Report. The principal risks and their management are disclosed in the Strategic Report and in Note 16.

The Company's gearing at the end of the year is shown below:

|                                 |                  |           |
|---------------------------------|------------------|-----------|
|                                 | <b>2018</b>      | 2017      |
|                                 | <b>portfolio</b> | portfolio |
|                                 | <b>exposure</b>  | exposure  |
|                                 | <b>£'000</b>     | £'000     |
| Investments                     | <b>185,987</b>   | 221,792   |
| Long CFDs                       | <b>30,015</b>    | 42,325    |
|                                 | -----            | -----     |
| <b>Total Portfolio Exposure</b> | <b>216,002</b>   | 264,117   |
|                                 | =====            | =====     |
| <b>Shareholders' funds</b>      | <b>187,530</b>   | 222,527   |
|                                 | =====            | =====     |
| <b>Gearing<sup>1</sup></b>      | <b>15.2%</b>     | 18.7%     |
|                                 | =====            | =====     |

<sup>1</sup> Gearing is the amount by which the Portfolio Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds.

## 18 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"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report and in Note 4. During the year, fees for portfolio management services of £1,843,000 (2017: £2,016,000) and secretarial and administration fees of £47,000 (2017: £47,000) were payable to FIL. At the Balance Sheet date, fees for portfolio management services of £84,000 (2017: £562,000) and secretarial and administration fees of £12,000 (2017: £12,000) 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 £100,000 (2017: £67,000), and at the Balance Sheet date £17,000 (2017: £6,000) was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report. In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, £14,000 (2017: £10,000) of Employers' National Insurance Contributions was also paid by the Company.

## 19 ALTERNATIVE PERFORMANCE MEASURES

Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms in the Annual Report).

The tables below provide information relating to the NAVs and share prices of the Company and the total returns for the years ended 31 December 2018 and 31 December 2017.

|   |  |   |                    |
|---|--|---|--------------------|
| <b>2018</b>                             |  | <b>Net asset value per ordinary share</b> | <b>Share Price</b> |
| NAV and share price at 31 December 2017 |  | <b>164.10p</b>                            | <b>151.50p</b>     |
| NAV and share price at 31 December 2018 |  | <b>138.77p</b>                            | <b>127.00p</b>     |
|   |  | -----                                     | -----              |
| <b>Total Return for the year</b>        |  | <b>-15.4%</b>                             | <b>-16.2%</b>      |
|   |  | =====                                     | =====              |
|   |  |   |                    |
|   |  | Net asset value per ordinary share        | Share Price        |
| 2017                                    |  | 122.37p                                   | 101.50p            |
| NAV and share price at 31 December 2016 |  | 164.10p                                   | 151.50p            |
| NAV and share price at 31 December 2017 |  | -----                                     | -----              |
| Total Return for the year               |  | +34.1%                                    | +49.3%             |
|   |  | =====                                     | =====              |

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 December 2018 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2017 and 2018 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2017 is derived from the statutory accounts for 2017 which have been delivered to the Registrar of Companies. The 2018 Financial Statements will be filed with the Registrar of Companies in due course.

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

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

**The Annual General Meeting will be held at 16:00 on 21 May 2019 at 25 Cannon Street, London EC4M 5TA.**

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

ENDS