

Fidelity Special Values PLC

Half-Yearly Results for the six months ended 28 February 2019 (unaudited)

Financial Highlights:

- The Board of Fidelity Special Values PLC (the “Company”) recommends an interim dividend payment of 2.10 pence per share, an increase of 13.5% over last year’s interim dividend.
- The Company recorded a net asset value (“NAV”) total return of -6.1% for the six months ended 28 February 2019 and the FTSE All-Share Index (Benchmark Index) returned -3.7%. Both the NAV and share price performance remains well ahead of the FTSE All-Share Index over 3 and 5 years.
- The premium narrowed from 1.5% to 0.9%, as a result of the share price total return of -6.7%.
- The Company’s shares remain in high demand and continue to trade at a premium.
- Portfolio Manager, Alex Wright, believes 2019 could turn into a surprisingly positive year for investors brave enough to buy UK equities before the good news happens.

Contacts

For further information, please contact:

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FIL Investments International

Overview

The Portfolio Manager, Alex Wright's, approach is very much in keeping with Fidelity Special Values PLC's heritage and history – that of an actively managed, contrarian investment trust which the Board believes will be appealing to both existing and potential investors alike. Alex focuses on buying unloved companies with the prospect of positive change, rather than those that are merely cheap. He invests in companies of all sizes, and in doing so hopes to position the Company as the investment of choice for those seeking exposure to UK listed companies but with the benefit of investing 20% of the portfolio in listed companies on overseas exchanges.

Whilst performance in the first half of the reporting period has been more challenging, there has been a strong recovery since the half year end and long term performance remains well ahead of the Benchmark Index over 3 and 5 years. The Company's shares remain in high demand and continue to trade at a premium.

In addition, we are pleased to report that the Company has won a number of prestigious industry awards.

Andy Irvine, Chairman

Portfolio Manager's Half-Yearly Review

Performance

In the six month period to 28 February 2019, the Company's net asset value ("NAV") per ordinary share returned -6.1% and the share price returned -6.7%, whilst the FTSE All-Share Index (the Company's Benchmark Index) returned -3.7% (all returns on a total basis). Despite this short term performance, the Company's NAV and share price total returns over three and five years remain well ahead of the Benchmark Index. Over three years, the NAV returned +37.2% and the share price returned +43.4% compared to a Benchmark return of +30.4%. For the five year period, the NAV returned +38.4% and the share price +45.0% against a Benchmark return of +27.6%.

The attribution analysis table below shows the factors that contributed to the Company's NAV per share total return for the six months to 28 February 2019.

Analysis of the change in NAV total return for the period

Impact of:	(%)
Index	-3.7
Stock selection	-1.7
Gearing	-0.4
Operational Costs	-0.5
Cash	+0.2

Total return for the six months to 28 February 2019	-6.1
	=====

Stock Market and Portfolio Review

The UK stock market saw mixed trends over the review period, falling sharply in the first half of the period before staging a recovery in 2019 to recoup some of the losses of the previous year. The Benchmark Index decline over the period of 3.7% was dominated by increasingly complex Brexit negotiations between the UK government and opposition parties, and concerns over global economic growth against a backdrop of the ongoing US-China trade frictions. After two years of double digit returns, the Benchmark Index fell by 9.5% on a total return basis in the 2018 calendar year; its worst annual performance since the financial crisis. However, hopes of an improvement in trade negotiations between the US and China led a rally in equities in 2019, with the Index returning 6.6% in the two months to the end of February 2019.

Overall, the global economy has continued to slow over recent months, with a broad-based softening across all regions. This has come about as a result of the tightening in global financial conditions, a weaker global demand environment, as well as the impact of trade tensions on business sentiment. The deceleration in global growth is expected to weigh on UK net trade, although markets expect more accommodative monetary policies in all major economies, which should support the economic outlook. UK economic growth slowed in late 2018 and appears to have weakened further in early 2019. There is now considerable uncertainty over the medium term outlook, although this could ease once greater clarity emerges on the US-China trade negotiations and the future path of Brexit.

The deeply unloved status of the UK market has created an exceptionally fertile period for contrarian stock picking. One thing I have learnt from investing in unloved companies is that you should not necessarily wait for good news to become obvious before investing. By investing when all the bad news is 'in the price' and no good news is expected at all, you put the odds in your favour. I believe this is the situation we are in currently in the UK.

In terms of performance, the Company's NAV underperformed the Benchmark Index in the reporting period. At a stock level, online gaming group GVC Holdings was the leading detractor weighed down by negative regulatory news. The Company's investment in Citigroup fell amid concerns over its earnings in a worsening global economic scenario and falling bond yields. However, the bank's recently announced fourth-quarter results showed profit growth that beat analysts' expectations on better than anticipated expense declines and loan losses. It also has substantial excess capital and the business remains fundamentally strong. The negative sentiment in the sector also weighed down the holding in Bank of Ireland. Defence contractor Ultra Electronics was another notable detractor owing to a combination of worries surrounding Brexit, as well as Saudi Arabian and US military spending cuts. The company also has its own accounting concerns but it looks attractively valued, and its shares have risen considerably during March 2019. Shares in Royal Mail fell after the courier company warned that its full year earnings were expected to fall sharply as it had failed to meet its cost saving targets.

Despite the difficult environment, several of our key holdings across sectors made significant contributions, with stock selection in the healthcare and technology sectors being particularly successful. Notable contributors included infrastructure group John Laing, whose assets have increased strongly as its diversified portfolio of projects proved resilient. Outsourcing group Serco was another notable contributor after the company raised its 2019 profit and revenue forecasts, buoyed by a run of recent contract wins, and a good environment for pricing. The exposure to Swiss pharmaceuticals group Roche Holdings also added value after it was boosted by strong results from two drug trials, including one that showed potential as a first line cancer treatment. Not holding underperforming tobacco company British American Tobacco also enhanced relative performance. The allocation to software group Micro Focus International added value as a trading update for the last fiscal year suggested that revenue declines are moderating following a period of significant merger and acquisition execution issues which led to turbulent sales growth.

I continue to look for opportunities that can be found across the market, among international as well as domestic businesses. Following the further deterioration in sentiment towards the UK in the last quarter of 2018, I increased exposure to domestic UK stocks, recycling capital primarily from US-facing businesses. I do not have a differentiated view on the UK political or macroeconomic outlook. I acknowledge the risks here, but am interested in investing in domestic businesses if they can satisfy these criteria; a low valuation which reflects a worst case outlook, a strong balance sheet that can support the business through a period of earnings volatility, structurally sound markets, and a self help story independent of the UK macro environment. A

permanent feature of my investment process is to look for companies that can 'help themselves' without relying on a rising macroeconomic tide. I will typically avoid companies where margins are at historic highs.

Use of Derivatives

During the review period, the Company continued to use contracts for difference ("CFDs") to gear portfolio long exposure and to contract short positions. The previously opened hedge position on the FTSE 250 Index Future was again maintained.

As the Company had some gearing and the market fell in the review period, the use of derivatives was a detractor in the portfolio. Overall, gross gearing was at 6.9% at the end of February 2019, down from 10.4% at the start of the review period.

Outlook

A selective approach remains important. Not all UK stocks are equally attractive, and although many domestic businesses are being unfairly ignored, others are structurally compromised or financially unsound and therefore best avoided. I am happy buying unloved domestic stocks if I can see a balance sheet that can withstand a period of economic weakness, and a valuation that gives me some margin of safety. Attractive valuations can be found across the market, in large and small companies, both international and domestic-facing. My process rests on identifying unloved companies with the potential for positive change. The number of unloved companies available to choose makes me believe that 2019 could turn into a surprisingly positive year for investors brave enough to buy UK equities before the good news happens.

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

Alex Wright

Portfolio Manager
30 April 2019

Interim Management Report

Management Fee

As reported in the Annual Report for the year ended 31 August 2018, the Company has a new fee arrangement in place, with effect from 1 September 2018, which provides a reduction from the previous fee structure. The previous fee of 0.875% of net assets has been replaced by a tiered fee basis which is 0.85% on the first £700 million of net assets and reduces to 0.75% on net assets over £700 million. In addition, the fixed annual fee of £600,000 for services other than portfolio management reduced to £100,000 per annum. There is no change in the investment process as a result of the new fee arrangement.

Discount/Premium and Share Repurchases/Issues

Under the Company's discount management policy, the Board seeks to maintain the discount in single digits in normal market conditions and will repurchase shares to help stabilise the share price discount. As the Company's shares have been trading at a premium, the Company has not carried out any share repurchases in the reporting period and up to the date of this report.

Issuing shares increases the size of the Company, making it more liquid and allowing costs to be spread out over larger assets. The Board will approve share issues from Treasury if the Company's shares are generally trading at a sufficient premium to ensure that the issue of shares is not dilutive and the Company's Broker believes that the Company should be issuing shares from Treasury.

In the six months to 28 February 2019, the Company's shares traded at a premium which was within a range of 0.5% and 4.9%. As the Company's shares had traded at a level of premium to ensure that the issue of shares from Treasury was not dilutive, the Board authorised the issue of 4,095,000 shares which were all the shares that the Company held in Treasury. In addition, the Company issued the final 480,000 shares from a previous block listing authority. Therefore, the Company acquired a new block listing authority from the UK Listing Authority to issue up to 23,889,440 ordinary shares, effective from 15 January 2019. As at 28 February 2019, the Company had issued 1,370,000 shares from this new block listing authority.

In total, the Company issued 5,945,000 shares in the six month reporting period. Since then and as at the date of this report, the Company has issued a further 2,175,000 shares in order to meet demand.

Interim Dividend

The Board's dividend policy is to pay dividends twice yearly in order to smooth the dividend payment for the reporting year. The Company's revenue return for the six months to 28 February 2019 was 1.78 pence per share. The Board has declared an interim dividend of 2.10 pence per share which is 13.5% higher than the 1.85 pence per share paid as the prior interim dividend and provides a good balance between the interim and final dividend payments. This will be paid on 26 June 2019 to Shareholders on the register on 17 May 2019 (ex-dividend date 16 May 2019).

Shareholders may choose to reinvest their dividends for additional shares in the Company. Details of the Dividend Reinvestment Plan are set out in the Half-Yearly Report.

Principal Risks and Uncertainties

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 and uncertainties faced by the Company.

The Board categorises the principal risks and uncertainties faced by the Company into two broad categories of external and internal risks. External risks comprise of market risk, share price risk, discount control risk, regulatory risk and cybercrime risk. Internal risks comprise of investment management risk and operational risks (such as service providers). Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 August 2018. A copy of the Annual Report can be found on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues.

These risks and uncertainties have not materially changed in the six months to 28 February 2019 and are equally applicable to the remaining six months of the Company's financial year.

Transactions with the Manager and Related Parties

The Manager has delegated the Company's portfolio management and the role of Company Secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 13 to the Financial Statements below.

Going Concern

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

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

By order of the Board

FIL Investments International

30 April 2019

Directors' Responsibility Statement

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

The Directors confirm to the best of their knowledge that:

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

In line with previous years, the Half-Yearly Report has not been audited by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 30 April 2019 and the above responsibility statement was signed on its behalf by Andy Irvine, Chairman.

Twenty Largest Investments

as at 28 February 2019

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

	Gross Asset Exposure		Balance Sheet Value
	£'000	% ¹	£'000
Long Exposures – shares unless otherwise stated			
CRH (long CFD)			
Construction & Materials	34,003	4.9	1,781
Royal Dutch Shell (shares and long CFD)			
Oil & Gas Producers	33,200	4.8	16,577
Roche Holdings			
Pharmaceuticals & Biotechnology	32,597	4.8	32,597
John Laing Group			
Financial Services	30,621	4.5	30,621
BP			
Oil & Gas Producers	30,494	4.4	30,494
Pearson			
Media	29,732	4.3	29,732
Phoenix Group Holdings			
Life Insurance	28,797	4.2	28,797
Citigroup			
Banks	28,569	4.2	28,569
RBS Group			
Banks	25,414	3.7	25,414
Meggitt			
Aerospace & Defense	21,437	3.1	21,437
Serco Group			
Support Services	19,290	2.8	19,290
Aviva (long CFD)			
Life Insurance	17,238	2.5	(1,739)
AIB Group (long CFD)			
Banks	16,347	2.4	(1,692)
C&C Group			
Beverages	14,910	2.2	14,910
Lloyds Banking Group			
Banks	14,777	2.2	14,777
CLS Holdings			
Real Estate Investment & Services	14,535	2.1	14,535
Legal & General Group			
Life Insurance	14,393	2.1	14,393
International Personal Finance (shares and fixed interest bond)			
Financial Services	13,003	1.9	13,003
Micro Focus International			
Software & Computer Services	12,009	1.8	12,009

Bank of Ireland Group (long CFD)			
Banks	11,985	1.7	(3,721)
Twenty largest long exposures	443,351	64.6	341,784
Other long exposures	319,615	46.6	261,569
	-----	-----	-----
Total long exposures before hedges (97 holdings)	762,966	111.2	603,353
	-----	-----	-----
Less: hedging exposure			
FTSE 250 Index Future March 2019	(34,138)	(5.0)	(2,038)
	-----	-----	-----
Total long exposures after the netting of hedges	728,828	106.2	601,315
	=====	=====	=====
Add: short exposures			
Short CFDs (2 holdings)	4,394	0.7	(191)
Gross Asset Exposure²	733,222	106.9	
	-----	-----	
Portfolio Fair Value³			601,124

Net current assets (excluding derivative assets and liabilities)			85,022
Shareholders' Funds			686,146
			=====

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

2. Gross Asset Exposure comprises market exposure to investments of £611,412,000 plus market exposure to derivative instruments of £121,810,000.

3. Portfolio Fair Value comprises investments of £611,412,000 plus derivative assets of £2,373,000 less derivative liabilities of £12,661,000 (per the Balance Sheet below).

FINANCIAL STATEMENTS

Income Statement

for the six months ended 28 February 2019

	Notes	six months ended 28 February 2019			year ended 31 August 2018			six months ended 28 February 2018		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
(Losses)/gains on investments		–	(40,506)	(40,506)	–	48,288	48,288	–	13,627	13,627
(Losses)/gains on long CFDs		–	(11,464)	(11,464)	–	(3,022)	(3,022)	–	1,459	1,459
Gains/(losses) on short CFDs, futures and options		–	2,794	2,794	–	(2,718)	(2,718)	–	1,417	1,417
Investment and derivative income*	4	8,372	–	8,372	23,468	–	23,468	6,927	–	6,927
Other interest	4	141	–	141	366	–	366	116	–	116
Derivative expenses*	5	(48)	–	(48)	(860)	–	(860)	(417)	–	(417)
Investment management fees	6	(2,845)	–	(2,845)	(6,707)	–	(6,707)	(3,294)	–	(3,294)
Other expenses		(342)	(88)	(430)	(640)	–	(640)	(322)	–	(322)
Foreign exchange (losses)/gains		–	(357)	(357)	–	618	618	–	(781)	(781)
Net return/(loss) on ordinary activities before finance costs and taxation		5,278	(49,621)	(44,343)	15,627	43,166	58,793	3,010	15,722	18,732
Finance costs		(389)	–	(389)	(342)	–	(342)	(131)	–	(131)
Net return/(loss) on ordinary activities before taxation		4,889	(49,621)	(44,732)	15,285	43,166	58,451	2,879	15,722	18,601
Taxation on return on ordinary activities	7	(113)	–	(113)	(177)	–	(177)	(40)	–	(40)
Net return/(loss) on ordinary activities after taxation for the period		4,776	(49,621)	(44,845)	15,108	43,166	58,274	2,839	15,722	18,561
Return/(loss) per ordinary share	8	1.78p	(18.48p)	(16.70p)	5.70p	16.29p	21.99p	1.07p	5.94p	7.01p

* Derivative expenses in the prior periods have been reallocated from investment and derivative income. There is no effect on the net return/(loss) on ordinary activities after taxation for the period.

The Company does not have any other comprehensive income. Accordingly the net return/(loss) on ordinary activities after taxation for the period is also the total comprehensive income for the period 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 period and all items in the above statement derive from continuing operations.

Statement of Changes in Equity

for the six months ended 28 February 2019

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total Shareholders' funds £'000
Six months ended 28 February 2019 (unaudited)								
Total Shareholders' funds at 31 August 2018		13,532	95,940	3,256	5,152	591,842	15,248	724,970
Issue of ordinary shares from Treasury	11	–	65	–	–	9,821	–	9,886
New ordinary shares issued	11	93	4,475	–	–	–	–	4,568
Net (loss)/return on ordinary activities after taxation for the period		–	–	–	–	(49,621)	4,776	(44,845)
Dividend paid to Shareholders	9	–	–	–	–	–	(8,433)	(8,433)
Total Shareholders' funds at 28 February 2019		13,625	100,480	3,256	5,152	552,042	11,591	686,146
Year ended 31 August 2018 (audited)								
Total Shareholders' funds at 31 August 2017		13,532	95,896	3,256	5,152	543,218	12,448	673,502
Issue of ordinary shares from Treasury	11	–	44	–	–	5,458	–	5,502
Net return on ordinary activities after taxation for the year		–	–	–	–	43,166	15,108	58,274
Dividend paid to Shareholders	9	–	–	–	–	–	(12,308)	(12,308)
Total Shareholders' funds at 31 August 2018		13,532	95,940	3,256	5,152	591,842	15,248	724,970
Six months ended 28 February 2018 (unaudited)								
Total Shareholders' funds at 31 August 2017		13,532	95,896	3,256	5,152	543,218	12,448	673,502
Net return on ordinary activities after taxation for the period		–	–	–	–	15,722	2,839	18,561
Dividend paid to Shareholders	9	–	–	–	–	–	(7,406)	(7,406)
Total Shareholders' funds at 28 February 2018		13,532	95,896	3,256	5,152	558,940	7,881	684,657

Balance Sheet

at 28 February 2019

Company number 2972628

	Notes	28.02.19 unaudited £'000	31.08.18 audited £'000	28.02.18 unaudited £'000
Fixed assets				
Investments	10	611,412	704,997	657,239
		=====	=====	=====
Current assets				
Derivative instruments	10	2,373	4,939	10,205
Debtors		2,525	4,043	1,314
Amounts held at futures clearing houses and brokers		13,585	2,235	1,858
Fidelity Institutional Liquidity Fund		61,450	14,588	16,306
Cash at bank		8,417	2,303	2,559
		-----	-----	-----
		88,350	28,108	32,242
		=====	=====	=====
Creditors				
Derivative instruments	10	(12,661)	(5,371)	(1,695)
Other creditors		(955)	(2,764)	(3,129)
		-----	-----	-----
		(13,616)	(8,135)	(4,824)
		=====	=====	=====
Net current assets		74,734	19,973	27,418
		=====	=====	=====
Net assets		686,146	724,970	684,657
		=====	=====	=====
Capital and reserves				
Share capital	11	13,625	13,532	13,532
Share premium account		100,480	95,940	95,896
Capital redemption reserve		3,256	3,256	3,256
Other non-distributable reserve		5,152	5,152	5,152
Capital reserve		552,042	591,842	558,940
Revenue reserve		11,591	15,248	7,881
		-----	-----	-----
Total Shareholders' funds		686,146	724,970	684,657
		=====	=====	=====
Net asset value per ordinary share	12	251.80p	271.98p	258.85p
		=====	=====	=====

Notes to the Financial Statements

1 Principal Activity

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

2 Publication of Non-statutory Accounts

The Financial Statements in this half-yearly financial report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 August 2018 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in February 2018 with consequential amendments. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 August 2018.

4 Income

	six months ended 28.02.19 unaudited £'000	year ended 31.08.18 audited £'000	six months ended 28.02.18 unaudited £'000
Investment income			
UK dividends	3,968	13,273	3,433
UK scrip dividends	405	403	41
Overseas dividends	2,344	4,282	1,607
Overseas scrip dividends	236	990	700
Debt security interest	108	299	160
	-----	-----	-----
	7,061	19,247	5,941
	=====	=====	=====
Derivative income			
Dividends received on long CFDs	1,311	4,221	986
	-----	-----	-----
Investment and derivative income	8,372	23,468	6,927
	=====	=====	=====
Other interest			
Interest received on CFDs	16	79	46
Interest received on deposits and money market funds	125	287	70
	-----	-----	-----
	141	366	116
	=====	=====	=====
Total investment and derivative income and other interest*	8,513	23,834	7,043
	=====	=====	=====

* Derivative expenses have been reallocated to Note 5.

Special dividends of £3,779,000 (year ended 31 August 2018: £7,023,000 and six months ended 28 February 2018: £6,152,000) have been recognised in capital.

5 Derivative Expenses

	six months ended 28.02.19 unaudited £'000	year ended 31.08.18 audited £'000	six months ended 28.02.18 unaudited £'000
Dividends paid on short CFDs	(6)	(695)	(285)
Interest paid on short CFDs	(42)	(165)	(132)
	-----	-----	-----
Total derivative expenses	(48)	(860)	(417)
	=====	=====	=====

6 Investment Management Fees

	six months ended 28.02.19 unaudited £'000	year ended 31.08.18 audited £'000	six months ended 28.02.18 unaudited £'000
Portfolio management services	2,795	6,107	2,994
Non-portfolio management services*	50	600	300
Investment management fees	2,845	6,707	3,294

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

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

From 1 September 2018, the Company adopted a new fee arrangement which reduced the previous fee of 0.875% of net assets to a new tiered fee basis of 0.85% on the first £700 million of net assets and 0.75% of net assets in excess of £700 million.

In addition, the fixed annual fee for services other than portfolio management was reduced from £600,000 to £100,000 per annum.

7 Taxation on Return on Ordinary Activities

	six months ended 28.02.19 unaudited £'000	year ended 31.08.18 audited £'000	six months ended 28.02.18 unaudited £'000
Overseas taxation	113	177	40
Total taxation charge for the period	113	177	40

8 Return/(loss) per Ordinary Share

	six months ended 28.02.19 unaudited	year ended 31.08.18 audited	six months ended 28.02.18 unaudited
Revenue return per ordinary share	1.78p	5.70p	1.07p
Capital (loss)/return per ordinary share	(18.48p)	16.29p	5.94p
Total (loss)/return per ordinary share	(16.70p)	21.99p	7.01p

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares held during the period, as shown below:

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	4,776	15,108	2,839
Net capital (loss)/return on ordinary activities after taxation	(49,621)	43,166	15,722
Net total (loss)/return on ordinary activities after taxation	(44,845)	58,274	18,561
	number	number	number
Weighted average number of ordinary shares held	268,482,436	265,040,439	264,499,480

9 Dividends Paid to Shareholders

	six months ended 28.02.19 unaudited £'000	year ended 31.08.18 audited £'000	six months ended 28.02.18 unaudited £'000
Final dividend of 3.15 pence per ordinary share paid for the year ended 31 August 2018	8,433	—	—

Interim dividend of 1.85 pence per ordinary share paid for the year ended 31 August 2018	–	4,902	–
Final dividend of 2.80 pence per ordinary share paid for the year ended 31 August 2017	–	7,406	7,406
Total dividends paid	8,433	12,308	7,406

The Company has declared an interim dividend for the six month period to 28 February 2019 of 2.10 pence per ordinary share (2018: 1.85 pence). The interim dividend will be paid on 26 June 2019 to Shareholders on the register at 17 May 2019 (ex-dividend date 16 May 2019). The total cost of this interim dividend, which has not been included as a liability in these Financial Statements, is £5,768,000 (2018: £4,902,000). This amount is based on the number of ordinary shares in issue held at the date of this report.

10 Fair Value Hierarchy

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

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

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

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
28 February 2019 (unaudited)				
Financial assets at fair value through profit or loss				
Investments	605,985	3,494	1,933	611,412
Derivative instrument assets	–	2,373	–	2,373
	-----	-----	-----	-----
	605,985	5,867	1,933	613,785
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(2,038)	(10,623)	–	(12,661)
	=====	=====	=====	=====
31 August 2018 (audited)				
Financial assets at fair value through profit or loss				
Investments	699,052	4,489	1,456	704,997
Derivative instrument assets	1,058	2,845	1,036	4,939
	-----	-----	-----	-----
	700,110	7,334	2,492	709,936
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(5,371)	–	(5,371)
	=====	=====	=====	=====
28 February 2018 (unaudited)				
Financial assets at fair value through profit or loss				
Investments	641,088	4,477	11,674	657,239
Derivative instrument assets	–	10,205	–	10,205
	-----	-----	-----	-----
	641,088	14,682	11,674	667,444
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(1,695)	–	(1,695)
	=====	=====	=====	=====

11 Share Capital

28 February 2019

31 August 2018

28 February 2018

	unaudited number of shares	£'000	audited number of shares	£'000	unaudited number of shares	£'000
Issued, allotted and fully paid ordinary shares of 5 pence each						
Held outside Treasury						
Beginning of the period	266,549,480	13,328	264,499,480	13,225	264,499,480	13,225
Ordinary Shares issued out of Treasury	4,095,000	204	2,050,000	103	–	–
New Ordinary Shares issued	1,850,000	93	–	–	–	–
End of the period	272,494,480	13,625	266,549,480	13,328	264,499,480	13,225
	=====	=====	=====	=====	=====	=====
Held in Treasury*						
Beginning of the period	4,095,000	204	6,145,000	307	6,145,000	307
Ordinary Shares issued out of Treasury	(4,095,000)	(204)	(2,050,000)	(103)	–	–
End of the period	–	–	4,095,000	204	6,145,000	307
	=====	=====	=====	=====	=====	=====
Total share capital	272,494,480	13,625	270,644,480	13,532	270,644,480	13,532
	=====	=====	=====	=====	=====	=====

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

During the period a total of 5,945,000 ordinary shares (year ended 31 August 2018: 2,050,000 shares and six months to 28 February 2018: nil) were issued. The proceeds from the issue of ordinary shares out of Treasury of £9,821,000 (year ended 31 August 2018: £5,458,000 and six month period to 28 February 2018: nil) was credited to capital reserve. The total premium received in the period on the issue of new ordinary shares of £4,475,000 and on the issue of ordinary shares out of Treasury of £65,000 was credited to the share premium account (year ended 31 August 2018: £44,000 and six month period to 28 February 2018: nil).

12 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £686,146,000 (31 August 2018: £724,970,000 and 28 February 2018: £684,657,000) and on 272,494,480 (31 August 2018: 266,549,480 and 28 February 2018: 264,499,480) ordinary shares, being the number of ordinary shares of 5 pence each held at the period end.

It is the Company's policy that any 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. As at 23 January 2019, there were no shares held in Treasury.

13 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 6. During the period, fees for portfolio management services of £2,795,000 (year ended 31 August 2018: £6,107,000 and six months ended 28 February 2018: £2,994,000) and fees for non-portfolio management services of £50,000 (year ended 31 August 2018: £600,000 and six months ended 28 February 2018: £300,000) were payable to FIL. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £441,000 (31 August 2018: £1,083,000 and 28 February 2018: £967,000) and fees for non-portfolio management services of £17,000 (31 August 2018: £100,000 and 28 February 2018: £100,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £79,000 (year ended 31 August 2018: £139,000 and 28 February 2018: £65,000). At the Balance Sheet date, marketing services of £9,000 (31 August 2018: £7,000 and 28 February 2018: £23,000) were accrued and included in other creditors.

As at 28 February 2019, the Board consisted of five Non-Executive Directors (as shown in the Directory in the Half-Yearly Report), all of whom are considered to be independent by the Board apart from Nicky McCabe who was employed by FIL Limited until 31 December 2017. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £41,000, the Audit Committee Chairman an annual fee of £31,750 and each other Director an annual fee of £27,000. The following members of the Board hold ordinary shares in the Company: Andy Irvine 75,000 shares, Sharon Brown 15,600 shares, Dean Buckley 30,000 shares, Nigel Foster 70,000 shares and Nicky McCabe 31,926 shares.

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

A copy of the Half-Yearly Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at www.morningstar.co.uk/uk/NSM.

The Half-Yearly Report will also be available on the Company's website at www.fidelity.co.uk/specialvalues where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.