

## **Fidelity Asian Values PLC**

**LEI: 54930094CXNYINSNOQ96**

### **Final Results for the year ended 31 July 2017**

#### **Financial Highlights:**

- Fidelity Asian Values PLC's share price returned +24.9% and the NAV returned +19.3% for the year ended 31 July 2017
- Over Nitin Bajaj's tenure as Portfolio Manager, the share price has returned +60.2% and the NAV returned +54.9% compared to a Comparative Index return of +38.9%
- The Board recommends an 11.1% increase in the dividend to 5.00 pence per ordinary share

#### **Contacts**

##### **For further information, please contact:**

Natalia de Sousa - Company Secretary

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## Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity Asian Values PLC (the "Company") for the year ended 31 July 2017.

Fidelity Asian Values PLC provides shareholders with a distinctive investment approach which is differentiated from its peer sector. Asia is the world's fastest-growing economic region and the Trust looks to capitalise on this by finding good businesses, run by good people and buying them at a good price. The Company, therefore, favours undervalued small and medium sized companies as this allows it to find mispriced businesses, the "winners of tomorrow", before they become well known.

### Investment Review

As you will read in Nitin's Portfolio Manager's Review, his approach to investing is driven by stock selection and his focus is on generating absolute returns for our shareholders. Such an approach can lead to lower relative performance during strong bull markets, given that the portfolio is constructed with a bottom up and benchmark agnostic approach and the portfolio's active money is typically in excess of 90%. Essentially, this is what happened in the last twelve months as equities in Asia Pacific excluding Japan, as represented by the MSCI All Countries Asia ex Japan Index, rose by 28.2% in Sterling terms. Against this background, the Trust's NAV rose by 19.3% and its share price by 24.9%. Nitin's value bias and his preference for smaller companies both weighed on performance in a market environment where larger companies outperformed smaller companies and growth stocks outpaced value stocks. Nonetheless, since taking over the Company's portfolio, the NAV and share price have returned an impressive 54.9% and 60.2% respectively, compared to the Comparative Index return of 38.9%. The Board is therefore comfortable that this performance is consistent with Nitin's value based approach and his strong adherence to a clear investment process.

Whilst Nitin does not asset allocate against a benchmark, it is nevertheless relevant to consider the overall performance of markets in the region in order to set the Company in context. Overall signs of economic stabilisation in China and a positive outlook for global growth supported equities in Asia excluding Japan. Chinese and Hong Kong equities benefited from healthy economic activity and a booming property market. The launch of a stock trading link to connect the Hong Kong and Shenzhen stock markets and the ongoing focus on supply side reforms also supported investor sentiment. Meanwhile, the MSCI's decision to include A-shares in its emerging markets benchmark had little effect on equity market levels. Gains in South Korea and Taiwan were driven by the strong performance of the information technology sector. In South Korea, investors also expected that the new President Moon Jae-In will unveil pro-growth policy measures. The President announced plans to adopt a more conciliatory approach towards North Korea as well as negotiate with China and the US over a controversial anti-missile system. In Indonesia, equities gained as credit rating agency Standard & Poor's upgraded the country's long term sovereign bonds ratings to investment grade, citing the government's focus on fiscal discipline. Progress on tax reforms boosted confidence towards the Philippines. Indian equities also rose amid expectations of accelerated policy reform measures, smooth implementation of the new uniform Goods and Services Tax (GST) regime and a steady fall in inflation.

### Performance

<b>Total return (%)</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since launch</b>
NAV per				
Ordinary Share	+19.3	+66.0	+119.6	+361.6
Share Price	+24.9	+76.9	+127.5	+342.2
Comparative Index*	+28.2	+48.9	+75.9	+178.5

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

All sectors in the Asia region excluding Japan, except telecommunication services and health care, saw positive returns. In particular, the IT sector led gains against the backdrop of better-than-expected earnings. Further, the emergence of new products in automation and in virtual and augmented reality contributed to good performance for technology hardware producers. Equities in the materials sector tracked iron ore and commodity prices higher and financial stocks also benefited from the growth in economic activity in the region.

## **Gearing**

As at 31 July 2017, the Company's net cash position was 2.3% (2016: 2.3%). Nitin is cautious of market valuations and many of his holdings have hit their price targets. He continues to believe that the Company's performance will be driven by stock picking and he expects to invest cash and in time reintroduce gearing when he is able to uncover more well-priced ideas.

## **Outlook**

Notwithstanding the geo-political tension and uncertainty, particularly in relation to North Korea, the Board believe that the long term outlook for Asia Pacific excluding Japan remains strong. Focus on policy reforms along with strong structural growth drivers such as positive demographics, rising income and domestic consumption, and higher infrastructure spending are expected to provide multi-year investment opportunities across the region. Notably, India and China are witnessing significant progress on reforms. China's focus on deleveraging and liberalising its financial markets is likely to be positive for sentiment.

However, from a valuation point of view, equities are no longer cheap versus their historical prices. Given current valuations, it is harder to find many businesses which offer a substantial margin of safety. Although we have seen positive earnings revisions in the past few months, we need further earnings upgrades to justify current valuation levels.

Nonetheless, given that Asia has more than 17,000 listed companies, the opportunity to find hidden gems remains and the Company will continue to focus on finding attractive long term investment opportunities across the region based on strong fundamental research.

## **Other Matters**

### **Authority to Allot Shares**

The Directors currently have authority to issue 5% of the issued ordinary share capital of the Company, without first offering such shares to existing ordinary shareholders pro rata to their existing holdings, which expires at the Annual General Meeting ("AGM") on 7 December 2017. The Board has reviewed this level of authority. Given the fact that the Company's share price has at times traded close to a premium, the Directors are seeking shareholder approval to increase the 5% limit to 10% of the issued ordinary share capital of the Company at the forthcoming AGM. This will give the Directors additional capacity to issue shares in the Company should the need arise. This gives the Company more scope to grow cost-effectively, helping to increase liquidity and to spread costs.

### **Bonus Issue of Subscription Shares**

At the Company's AGM on 2 December 2016, shareholders approved the bonus issue of subscription shares on the basis of one subscription share for every five held by qualifying investors. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share on the annual exercise dates. The subscription shares can be exercised annually in the 25 business days preceding the last business day in November this year, and in November 2018 and 2019. The exercise price is equal to the published NAV of 366.88 pence per ordinary share on 2 December 2016 plus a premium of 1% if exercised this year (370.75 pence), a premium of 4% if exercised in 2018 (381.75 pence) and a premium of 7% if exercised in 2019 (392.75 pence).

### **Share Repurchases and Treasury Shares**

Repurchases of ordinary and subscription shares are made at the discretion of the Board and within guidelines set by it from time to time in light of prevailing market conditions. Shares will only be repurchased when it results in an enhancement to the NAV of ordinary shares for the remaining shareholders. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them. Any shares held in Treasury would only be re-issued at NAV per share, or at a premium to NAV per share. Any subscription shares repurchased would be cancelled. No ordinary shares were repurchased for cancellation or for holding in Treasury and no subscription shares were repurchased for cancellation during the year under review and none have been repurchased since the end of the reporting period and as at the date of this report.

## **Dividend**

Subject to shareholders' approval at the forthcoming AGM, the Directors recommend a dividend of 5.00 pence per ordinary share which represents an increase of 11.1% to the 4.50 pence paid in 2016. This dividend will be payable on 12 December 2017 to shareholders on the register at close of business on 20 October 2017 (ex-dividend date 19 October 2017). As the Company's objective is long term capital growth, any revenue surplus is a function of a particular year's business and it should not be assumed that

dividends will continue to be paid in the future.

### **Board of Directors**

All Directors are subject to annual re-election at the forthcoming AGM and their biographical details are included in the Annual Report to assist shareholders when considering their votes.

### **Annual General Meeting**

The AGM of the Company will be held at 11.00 am on 7 December 2017 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.

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

### **Kate Bolsover**

Chairman

11 October 2017

## Portfolio Manager's Review

Nitin Bajaj has been the Company's Portfolio Manager since 1 April 2015. He is based in Singapore and has over 17 years' investment experience and is also the Portfolio Manager for the Fidelity Asian Smaller Companies Fund. Nitin joined Fidelity in 2003 as an Investment Analyst in London. He moved to India in 2009 to take over the Fidelity India Special Situation Fund and subsequently started the Fidelity India Value Fund. Nitin managed these funds until November 2012, when Fidelity decided to sell its India business. Nitin holds a Bachelor of Commerce from the University of Delhi, India and an MBA from INSEAD. He is also a Chartered Accountant.

## Market Review

The NAV of the Company appreciated by 19.3% on a total return basis during the year ended 31 July 2017. Since 30 June 2015 (effective date for change in strategy for the Company), NAV has appreciated by 54.9%. The reference numbers for the Comparative Index are 28.2% and 38.9%<sup>1</sup>.

However, performance last year lagged the market by 8.9 percentage points – this was primarily due to not owning technology companies which are the current market darlings (more on this later). Performance since the change in strategy has been good, both in absolute and relative terms. This is a satisfactory outcome given that the market has been in an upswing for the past two years. A central pillar of our investment process is to minimise losses by investing in good businesses that have good balance sheets and buying them at a price that leaves enough margin of safety. These types of companies can lag the market in big upswings in investor sentiment. So, to be able to do better than the market since 30 June 2015 is a good outcome.

While we are pleased with performance thus far, it has only been two years since the Company's strategy changed. You will remember that our investment process is driven by a desire to compound money over a three to five year horizon. Any performance measurement should be viewed in that time frame. As Warren Buffet puts it, "Yearly figures are neither to be ignored nor viewed as all-important. The pace of earth's movement around the sun is not synchronized with the time required for either investment ideas or operating decisions to bear fruit."

As always, before we move to a more detailed discussion, I would like to highlight the efforts of the analyst team at Fidelity. They continue to put hours of diligence in analysing companies on your behalf. They form the bedrock on which we are trying to build long term returns. We owe a great deal of gratitude to them and I would like to thank them on your behalf.

## Investment Philosophy

Apologies to those who have read this last year. An investment philosophy does not change year to year and the message fundamentally remains the same.

The returns that we generate over the coming five years will be largely driven by the hard work of the team and our investment philosophy (and some luck!). Outlined below are the key tenets of the philosophy when evaluating potential investments. It's a process built through years of practice, observation and empirical evidence. The Board has bought into this process and we will stay true to it – even during testing times.

**What we are trying to do is buy good businesses run by good management teams and buy them at good prices (that leave enough margin of safety).** To accomplish this, there are three key guiding principles:

First, **understand the business**. Stocks are not merely tickers on a screen but a reflection of businesses that exist and compete in the real world. So, it is important to understand the economic characteristics of the underlying franchise. I don't think we can pick winning stocks if we do not pay close attention to the business of a company. If, for example, I decide to invest in Cebu Air – I am basically investing in the future of low cost airlines in Philippines and the competitive advantages of Cebu Air within that industry. To make a sound investment decision, it is critical to understand the industry and how Cebu Air will continue to maintain or even enhance its market strength. This is the starting point of every opportunity that is investigated.

Second, **valuation is critical**. For me investing is as much about protecting downside as it is about participating in the upside. I want to buy good businesses when either they are ignored or misunderstood by the market. These are times when one can get them at valuations that leave a lot of upside for the investors. Valuation anomalies are at the core of the investment process – where the market either ignores or misunderstands a business. I therefore rarely buy into good businesses when valuations are high.

The reason for this is that in these cases there is little margin of safety or room for error. *Return of capital is as important as return on capital.*

Third, **beware of chasing hot stories**. I consciously try to stay away from existing trends in the market. This links back to valuations as well-loved sectors generally tend to be more expensively priced than warranted. There are many examples of these – from tulip mania to Nifty 50 to the tech boom to the housing bubble of the mid-2000s. At their peak, these themes are always appealing but they seldom lead to good long term returns. I am generally more curious about businesses where expectations are low and which are out of a mainstream investor's sight.

1 Comparative Index is MSCI All countries Asia ex Japan Index. Relative performance as a measurement tool is important as credit for a rising market should not be given to the Portfolio Manager. The real value is in generating returns in excess of market indices. Reference Index numbers are stated including pre tax dividends.

In addition to the above three basic principles, I prefer to invest in companies where there is a **good management team** in place and some **additional angle**. It can either be corporate/industry restructuring or the possibility of industry consolidation/take-over etc. This forms an integral part of “special situations” that the Company looks to invest in.

Given this philosophy, most of the Company's investments will have a two to three year time horizon. I am not trying to gamble with your money. To be successful in the stock market, I need to know more about the businesses that the Company invests in than others do. There is only one way to do it – research, research and more research. If I truly understand the business correctly and enter at a valuation which provides a margin of safety, then over time we should be able to win. *This is not a speculative investment trust and it is important that you feel comfortable with this.*

## Performance

There are two main categories of errors in investing - errors of omission and errors of commission. An error of omission occurs when the value of a stock goes up and the Company does not own it (opportunity loss) whereas an error of commission is when something we own goes down (real loss).

As alluded to earlier in this review, my primary preoccupation is with errors of commission. The idea being that losses can be minimised if a mistake is made, then the correct decisions can keep adding to the pool of investment returns.

However, given that the Comparative Index appreciated by 28.2% for the year as compared to 19.3% for the NAV of the Company – I think this review warrants a discussion about errors of omission. The primary reason for the variation in performance from the Comparative Index last year was stellar performance of technology companies, such as Samsung, Alibaba and Tencent appreciating between 60-90%. These are sound businesses run by good management teams, but I did not feel comfortable with the valuations being ascribed to them as it leaves little margin of safety. Hence, I have not invested in these stocks so far and do not see any reason to change this view at current prices. Valuation discipline is at the core of our investment philosophy and that will not change.

As a consequence of investors' focus on large technology companies there was a wide dispersion in the returns of the large companies index compared to the broader smaller companies' index with returns of 28.2% and 15.0% respectively over a one year basis. This is amongst the largest dispersions between the two indices over the last 20 years. Despite this, there is little difference in the long term returns between the two groups. Hence, we continue to work with the hypothesis that smaller companies, which are less well researched, offer better stock picking opportunities (and hence better relative returns) and that is where the team and I will continue to focus our efforts.

Now to errors of commission.

	Lost Money	Loss >20%	Profit >50%	Profit>100%
1 Year	16%	5%	12%	1%
Tenure	17%	6%	37%	13%

The Company lost absolute money in 16% of the portfolio – and within that it lost more than 20% in 5% of the portfolio (costing approximately 2.5% loss on the Company's assets). In most companies where we lost money, it was largely due to changes in business circumstances or some degree of debt burden that they carried. I am pleased with this outcome – I would rather not have made any mistakes but that's almost impossible in a capitalistic system where new competitors emerge all the time to challenge existing business models.

In terms of “what went right” – about 12% of the portfolio was invested in stocks that went up more than 50% (making us a profit of around 9.5% of the Company’s assets). Most of these are not well known blue chip stocks but small niche businesses with good management teams that we were able to research and buy before they caught the attention of the general stock market. I would put this down to the depth of our research process.

As a final word on performance, I would like to caution that positive market sentiment has helped the underlying businesses as well as stock prices of companies that the Company owns. As and when the market turns negative these numbers will look less attractive. However, given the quality of the underlying businesses that the Company owns and the valuations they trade at, I feel comfortable that in the long term the Company should be able to compound money at our desired rate.

### **Market Outlook**

I do not wish to make predictions as to where markets are headed. Experts and media provide 24/7 commentaries on market outlook. I pay little attention to such forecasts and have never found them useful in making money. I feel that our time is better spent in understanding the businesses that we invest in on your behalf.

Although I am sharing with you my assessment of the market and the economy, the purpose is not to make a forecast. It is to better understand the current risk preference and tolerance in the market. As it stands:

- Most economies are growing at a healthy rate with unemployment falling quickly and in a few big economies the unemployment rate is close to all time lows.
- Interest rates continue to be low, as is inflation.
- Profit margins for most businesses are very healthy and close to their all time peaks.
- Liquidity is ample. China continues to lead the charge in liquidity creation through record amounts of incremental debt being injected into the economy.
- This has driven most equity markets to their all time highs (if not significantly ahead of their previous peaks).
- That in turn has led to record amounts of margin trading activity.
- And finally, Cyclically Adjusted Price to Earnings ratio (CAPE – current prices divided by average profits of the last 10 years) is currently at a level that was exceeded only twice in its history, during market peaks of 1929 and 2000.

None of the above mentioned data are individually a cause of alarm – and some of it is actually quite encouraging. But all of them put together – economies nearing full employment, increasing levels of debt and stock markets close to peak CAPE ratios – paint a very clear picture that most market participants are leaning towards “greed” rather than “fear”. Either there is general belief that the buoyant global scenario is likely to continue for quite a few years, or everyone believes that they can ride the wave better than others and get off at the right time. They may be right. Or they may not be. Do we want to dance until the music stops playing?

I am more inclined to the old adage - be fearful when others are greedy (and vice versa). As a result, over the last six months, the Company sold more stocks (as they approached fair value or beyond) than it has bought. This has led to the Company holding more cash than it is used to. Some investors may find issue with this. Even though I understand their point of view, I am a firm believer that the Company should only invest when I find the right opportunity; not just because the Company has the money. ‘Marry in haste; repent at leisure’ holds true in the investing world as well.

During times of such optimism in the stock markets, I think it is even more important that we stay true to our investment philosophy of owning companies which have solid business models and well financed balance sheets, are run by able management teams and the Company owns them only if there is enough margin of safety. I will wait patiently and deploy capital only where there is conviction.

Additionally, the Company has also bought insurance (through put options) against major falls in the markets. I hope that I never have to use this, but given the current environment and low prices for buying insurance, I felt it was prudent to have some protection.

As a final word, I am generally happy with the portfolio as it stands today. The Company owns shares in some good businesses which are not being fairly valued by the market and I will continue to be patient in investing the cash held in the portfolio. I have no doubt opportunities to deploy it will emerge – and I, together with the analyst team at Fidelity, continue to work hard to find “good businesses”, run by “good management teams” and available at a “good price”.

**Nitin Bajaj**

Portfolio Manager

11 October 2017

## Strategic Report

### Principal Risks and Uncertainties

As required by provision C.2.1 of the 2016 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the “Manager”), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company’s risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive reports considered by the 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 and confirms that there have been no changes to these since the previous year.

<b>Principal Risks</b>	<b>Description and Risk Mitigation</b>
<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 17 to the Financial Statements in the Annual Report together with summaries of the policies for managing these risks.</p>
<b>Performance risk</b>	<p>The achievement of the Company’s performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Comparative Index. The Board reviews the performance of the portfolio against the Comparative Index and that of its competitors and the outlook for the markets with the Portfolio Manager at each Board meeting. It considers the asset allocation of the portfolio and the risks associated with particular countries and industry sectors within the parameters of the investment objective and strategy. The Portfolio Manager is responsible for actively managing and monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term performance as the Company risks volatility of performance in the shorter term.</p>
<b>Discount control risk</b>	<p>The price of the Company’s shares and its discount to NAV are factors which are not within the Company’s total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. The Company’s share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.</p>
<b>Gearing risk</b>	<p>The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. The principal risk is that while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.</p>
<b>Derivatives risk</b>	<p>Derivative instruments are used to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to a higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company’s use of derivatives and exposures. These are monitored on a daily basis by the Manager’s Compliance team and regular reports are provided to the Board. Further details on derivative instruments risk is included in Note 17 to the Financial Statements in the Annual</p>

Report.

### **Currency risk**

The functional currency and presentational currency of the Company in which it reports its results is Sterling. Most of its assets and its income are denominated in other currencies. Consequently, it is subject to currency risk on exchange rate movements between Sterling and these other currencies. It is the Company's current policy not to hedge against currency risks.

Further details can be found in Note 17 to the Financial Statements in the Annual Report.

Other risks facing the Company include:

### **Cybercrime risk**

The risk posed by cybercrime is rated as significant and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat.

### **Tax and Regulatory risks**

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

The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active lobbying by the Manager.

### **Operational risks – Service Providers**

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

### **Continuation Vote**

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

### **Viability Statement**

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board consider long term to be at least five years and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The principal risks and uncertainties facing the Company and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;

- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been strong since launch, with a NAV total return of 361.6%, a share price total return of 342.2% and a Comparative Index return of 178.5%. The Board regularly reviews the investment policy and considers it to be appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement below. The Company is also subject to a continuation vote at the AGM in 2021. The Board has a reasonable expectation that the Company will continue in operation and meet its liabilities as they occur. It therefore expects that the vote, when due, 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 above.

## Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

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

The Directors confirm that to the best of their knowledge:

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

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

Approved by the Board on 11 October 2017 and signed on its behalf by:

**Kate Bolsover**  
Chairman

## Income Statement

for the year ended 31 July 2017

	Notes	Year ended 31 July 2017			Year ended 31 July 2016		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments at fair value through profit or loss	10	–	44,906	44,906	–	53,659	53,659
(Losses)/gains on derivative instruments	11	–	(2,376)	(2,376)	–	1,928	1,928
Income	3	8,439	–	8,439	6,441	–	6,441
Investment management fee	4	(2,500)	–	(2,500)	(1,847)	–	(1,847)
Other expenses	5	(725)	(165)	(890)	(674)	–	(674)
Foreign exchange (losses)/gains on cash and cash equivalents		–	(616)	(616)	72	583	655
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>5,214</b>	<b>41,749</b>	<b>46,963</b>	<b>3,992</b>	<b>56,170</b>	<b>60,162</b>
Finance costs	6	(407)	–	(407)	(94)	–	(94)
<b>Net return on ordinary activities before taxation</b>		<b>4,807</b>	<b>41,749</b>	<b>46,556</b>	<b>3,898</b>	<b>56,170</b>	<b>60,068</b>
Taxation on return on ordinary activities	7	(707)	(166)	(873)	(284)	174	(110)
<b>Net return on ordinary activities after taxation for the year</b>		<b>4,100</b>	<b>41,583</b>	<b>45,683</b>	<b>3,614</b>	<b>56,344</b>	<b>59,958</b>
<b>Basic return per ordinary share</b>	8	<b>6.08p</b>	<b>61.62p</b>	<b>67.70p</b>	5.36p	83.49p	88.85p
<b>Diluted return per ordinary share</b>	8	<b>6.06p</b>	<b>61.43p</b>	<b>67.49p</b>	n/a	n/a	n/a

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

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

The Notes below form an integral part of these Financial Statements.

## Statement of Changes in Equity

for the year ended 31 July 2017

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
<b>Total shareholders' funds at 31 July 2016</b>		<b>16,872</b>	<b>20,232</b>	<b>3,197</b>	<b>7,367</b>	<b>8,613</b>	<b>176,840</b>	<b>4,424</b>	<b>237,545</b>
Net return on ordinary activities after taxation for the year		–	–	–	–	–	<b>41,583</b>	<b>4,100</b>	<b>45,683</b>
Dividend paid to shareholders	9	–	–	–	–	–	–	<b>(3,037)</b>	<b>(3,037)</b>
<b>Total shareholders' funds at 31 July 2017</b>		<b>16,872</b>	<b>20,232</b>	<b>3,197</b>	<b>7,367</b>	<b>8,613</b>	<b>218,423</b>	<b>5,487</b>	<b>280,191</b>
<b>Total shareholders' funds at 31 July 2015</b>		16,872	20,232	3,197	7,367	8,613	120,496	2,160	178,937
Net return on ordinary activities after taxation for the year		–	–	–	–	–	56,344	3,614	59,958
Dividend paid to shareholders	9	–	–	–	–	–	–	(1,350)	(1,350)
<b>Total shareholders' funds at 31 July 2016</b>		<b>16,872</b>	<b>20,232</b>	<b>3,197</b>	<b>7,367</b>	<b>8,613</b>	<b>176,840</b>	<b>4,424</b>	<b>237,545</b>

The Notes below form an integral part of these Financial Statements.

## Balance Sheet

as at 31 July 2017

Company number 3183919

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	10	264,076	222,424
		-----	-----
<b>Current assets</b>			
Derivative instruments	11	2,829	1,139
Other receivables	12	1,766	1,018
Amounts held in margin accounts		1,937	991
Cash at bank		14,822	14,324
		-----	-----
		21,354	17,472
		=====	=====
<b>Current Liabilities</b>			
Derivative instruments	11	(1,554)	(542)
Other payables	13	(3,685)	(1,809)
		-----	-----
		(5,239)	(2,351)
		-----	-----
<b>Net current assets</b>		16,115	15,121
		-----	-----
<b>Net assets</b>		280,191	237,545
		=====	=====
<b>Capital and reserves</b>			
Share capital	14	16,872	16,872
Share premium account	15	20,232	20,232
Capital redemption reserve	15	3,197	3,197
Other non-distributable reserve	15	7,367	7,367
Other reserve	15	8,613	8,613
Capital reserve	15	218,423	176,840
Revenue reserve	15	5,487	4,424
		-----	-----
<b>Total shareholders' funds</b>		280,191	237,545
		-----	-----
<b>Net asset value per ordinary share</b>	16	415.17p	351.98p
<b>Diluted net asset value per ordinary share</b>	16	407.77p	n/a
		=====	=====

The financial statements were approved by the Board of Directors on 11 October 2017 and were signed on its behalf by:

**Kate Bolsover**

Chairman

The Notes below form an integral part of these Financial Statements.

## Notes to the Financial Statements

### 1 Principal Activity

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

### 2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), issued by the Financial Reporting Council ("FRC") and these Financial Statements have been prepared in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has early adopted the amendments to FRS 102: Fair value hierarchy disclosures, issued by the FRC in March 2016 and applicable for accounting periods beginning on or after 1 January 2017. 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. 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) Segmental reporting** – The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

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

**d) Income** – Income from equity investments and derivative instruments is credited to the revenue column of the Income Statement on the date on which the right to receive the income is established, normally the ex dividend date. 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 as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as a gain 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. Interest income is accounted for on an accruals basis.

**e) Management fees and other expenses** – Management fees and other expenses are accounted for on an accruals basis. Management fees are charged in full to the revenue column of the Income Statement. Other expenses are charged in full to the revenue column of the Income Statement except where they relate to items of a capital nature, in which case they are charged to the capital column of the Income Statement.

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

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

**h) Taxation** – The taxation expense represents the sum of current taxation and deferred taxation.

Taxation currently payable is based on the taxable profit for the year. Taxable profit differs from net return on ordinary activities before taxation for the year, as reported in the Income Statement, because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation is the taxation expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding taxation bases used in the computation of taxable profit based on tax rates that have been enacted or substantively 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.

Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

**i) Dividend paid** – Dividends payable to equity shareholders are recognised when the Company's obligation to make payment is established.

**j) Investment held at fair value through profit or loss** – The portfolio of financial assets 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 bid or last traded prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments held at fair value through profit or loss in the capital column of the Income Statement and has disclosed those costs in Note 10.

**k) Derivative instruments** – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include CFDs, futures and options. Derivatives are classified as fair value through profit or loss – held for trading, 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:

- CFDs – the difference between the strike price and the value of the underlying shares in the contract, calculated in accordance with accounting policy 2(j) above;
- Futures – the quoted trade price for the contract; and
- Options – valued based on similar instruments.

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

**l) Other receivables** – Other receivables include securities sold for future settlement, accrued income and debtors and pre-payments 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. Debtors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

**m) Amounts held in margin accounts** – Amounts held in margin accounts are amounts deposited by the Company in segregated accounts at the brokers as collateral and are subject to an insignificant risk of changes in value.

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

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

**p) Capital reserve** – The following are transferred to the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;

- Dividends receivable which are capital in nature;
- Other expenses which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

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

### 3 Income

	<b>Year ended 31.07.17 £'000</b>	Year ended 31.07.16 £'000
<b>Investment income</b>		
Overseas dividends	8,112	5,847
Overseas scrip dividends	207	413
	-----	-----
	<b>8,319</b>	6,260
	-----	-----
<b>Derivative income</b>		
Dividends on long CFDs	90	165
Interest on short CFDs	13	3
	-----	-----
	<b>103</b>	168
	-----	-----
<b>Other income</b>		
Deposit interest	17	13
	-----	-----
<b>Total income</b>	<b>8,439</b>	6,441
	=====	=====

### 4 Investment Management Fees

	<b>Year ended 31.07.17 £'000</b>	Year ended 31.07.16 £'000
<b>Investment management fee</b>	<b>2,500</b>	1,847
	-----	-----
	=====	=====

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies. FIL charges fees at an annual rate of 0.90% on the first £200 million of gross assets and 0.85% on gross assets over £200 million. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.



## 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 19.67% (2016: 20.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 July 2017			Year ended 31 July 2016		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Return on ordinary activities before taxation	4,807	41,749	46,556	3,898	56,170	60,068
Return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.67% (2016: 20.00%)	946	8,212	9,158	780	11,234	12,014
Effects of:						
Capital returns not taxable*	–	(8,212)	(8,212)	–	(11,234)	(11,234)
Income not taxable	(1,528)	–	(1,528)	(1,168)	–	(1,168)
Excess management expenses	543	–	543	399	–	399
Excess interest paid	56	–	56	–	–	–
Overseas taxation expensed	(17)	–	(17)	(11)	–	(11)
Overseas taxation suffered	707	–	707	284	–	284
Indian capital gains tax paid	–	166	166	–	–	–
Deferred tax	–	–	–	–	(174)	(174)
<b>Total taxation charge for the year (see Note 7a)</b>	<b>707</b>	<b>166</b>	<b>873</b>	<b>284</b>	<b>(174)</b>	<b>110</b>

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

## c) Deferred taxation

A deferred tax asset of £3,270,000 (2016: £2,905,000), in respect of excess management expenses of £16,346,000 (2016: £13,534,000) and excess interest paid of £2,892,000 (2016: £2,605,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

## 8 Return per ordinary share

	Year ended 31 July 2017			Year ended 31 July 2016		
	revenue	capital	total	revenue	capital	total
Basic return per ordinary share	6.08p	61.62p	67.70p	5.36p	83.49p	88.85p
Diluted return per ordinary share	6.06p	61.43p	67.49p	n/a	n/a	n/a

The basic returns per ordinary share are based on the net returns on ordinary activities after taxation for the year: revenue return £4,100,000 (2016: £3,614,000), capital return £41,583,000 (2016: £56,344,000) and total return £45,683,000 (2016: £59,958,000). These returns are divided by the weighted average number of ordinary shares in issue during the year of 67,488,213 (2016: 67,488,213).

The diluted returns per ordinary share reflect the notional dilutive effect that would have occurred if the rights attaching to subscription shares had been exercised on 5 December 2016 and additional ordinary shares had been issued. The returns on ordinary activities after taxation for the year used in the diluted calculation are the same as those for the basic returns above. These

returns are divided by the notional weighted average number of ordinary shares in issue during the year of 67,695,881. This number of shares reflects the additional number of ordinary shares that could have been purchased at the average ordinary share price for the period with the proceeds from the excess of the subscription share rights exercise price over the average ordinary share price. There were no diluted returns per ordinary share for the year ended 31 July 2016 as there were no subscription shares in issue during that year.

## 9 Dividends Paid to Shareholders

	Year ended 31.07.17 £'000	Year ended 31.07.16 £'000
<b>Dividend paid</b>		
Dividend paid of 4.50 pence per ordinary share for the year ended 31 July 2016	3,037	–
Dividend paid of 2.00 pence per ordinary share for the year ended 31 July 2015	–	1,350
	-----	-----
	<b>3,037</b>	1,350
	=====	=====
<b>Dividend proposed</b>		
Dividend proposed of 5.00 pence per ordinary share for the year ended 31 July 2017	3,374	–
Dividend proposed of 4.50 pence per ordinary share payable for the year ended 31 July 2016	–	3,037
	-----	-----
	<b>3,374</b>	3,037
	=====	=====

The Directors have proposed the payment of a dividend for the year ended 31 July 2017 of 5.00 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 12 December 2017 to shareholders on the register at the close of business on 20 October 2017 (ex-dividend date 19 October 2017).

## 10 Investments at fair value through profit or loss

	2017 £'000	2016 £'000
<b>Listed investments*</b>	<b>264,076</b>	222,424
	-----	-----
Opening book cost	185,226	173,359
Opening investment holding gains/(losses)	37,198	(10,501)
	-----	-----
<b>Opening fair value of investments</b>	<b>222,424</b>	162,858
<b>Movements in the year</b>		
Purchases at cost	137,251	105,417
Sales – proceeds	(140,505)	(99,510)
Sales – gains in the year	40,098	5,960
Movement in investment holding gains in the year	4,808	47,699
	-----	-----
<b>Closing fair value of investments</b>	<b>264,076</b>	222,424
	=====	=====
Closing book cost	222,070	185,226
Closing investment holding gains	42,006	37,198
	-----	-----

**Closing fair value of investments**

<b>264,076</b>	222,424
=====	=====

\* The Fair Value Hierarchy of the investments is shown in Note 17.

**Gains on investments for the year**

Gains on sales of investments  
Investment holding gains

<b>Year ended</b>	Year ended
<b>31.07.17</b>	31.07.16
<b>£'000</b>	£'000
<b>40,098</b>	5,960
<b>4,808</b>	47,699
-----	-----
<b>44,906</b>	53,659
=====	=====

**Investment transaction costs**

Transaction costs incurred in the acquisition and disposal of investments, which are included in the gains on investments at fair value through profit or loss in the capital column of the Income Statement, were as follows:

Purchase transaction costs  
Sales transaction costs

<b>Year ended</b>	Year ended
<b>31.07.17</b>	31.07.16
<b>£'000</b>	£'000
<b>293</b>	207
<b>365</b>	213
-----	-----
<b>658</b>	420
=====	=====

The portfolio turnover rate for the year was 55.2% (2016: 55.9%).

**11 Derivative instruments****Net (losses)/gains on derivative instruments**

Realised gains on long CFDs  
Realised losses on short CFDs  
Realised (losses)/gains on options  
Movement in investment holding gains on long CFDs  
Movement in investment holding losses on short CFDs  
Movement in investment holding (losses)/gains on options

<b>Year ended</b>	Year ended
<b>31.07.17</b>	31.07.16
<b>£'000</b>	£'000
<b>907</b>	861
<b>(1,260)</b>	(36)
<b>(74)</b>	300
<b>83</b>	1,114
<b>(683)</b>	(329)
<b>(1,349)</b>	18
-----	-----
<b>(2,376)</b>	1,928
=====	=====
<b>2017</b>	2016
<b>fair value</b>	fair value
<b>£'000</b>	£'000

### Fair value of derivative instruments recognised on the Balance Sheet

Derivative assets at fair value through profit or loss			<b>2,829</b>	1,139
Derivative liabilities at fair value through profit or loss			<b>(1,554)</b>	(542)

			<b>1,275</b>	597
--	--	--	--------------	-----

	2017		2016	
	fair value £'000	gross asset exposure £'000	fair value £'000	gross asset exposure £'000
<b>At the year end the Company held the following derivative instruments</b>				
Long CFDs	1,197	3,009	1,114	5,263
Short CFDs	(952)	14,099	(329)	5,458
Short future	(60)	1,094	–	–
Put options (hedging exposure)	1,090	(8,583)	–	–
Covered call options reducing long exposure	–	–	(138)	(1,517)
Written put options	–	–	(50)	380
	<b>1,275</b>	<b>9,619</b>	597	9,584

### 12 Other Receivables

	2017 £'000	2016 £'000
Securities sold for future settlement	1,089	676
Accrued income	562	255
Debtors and prepayments	115	87
	<b>1,766</b>	1,018

The Directors consider that the carrying amount of other receivables approximates to their fair value.

### 13 Other Payables

	2017 £'000	2016 £'000
Securities purchased for future settlement	3,083	1,381
Creditors and accruals	602	428
	<b>3,685</b>	1,809

### 14 Share Capital

	2017		2016	
	Number of shares	£'000	Number of shares	£'000
<b>Ordinary shares of 25 pence each</b> – issued, allotted and fully paid				
<b>Held outside Treasury</b>				

<b>Beginning and end of the year</b>	<b>67,488,213</b>	<b>16,872</b>	67,488,213	16,872
	-----	-----	-----	-----
<b>Subscription shares of 0.001 pence – issued, allotted and fully paid</b>				
<b>Beginning of the year</b>	–	–	–	–
Subscription shares issued	<b>13,497,222</b>	–	–	–
<b>End of the year</b>	<b>13,497,222</b>	–	–	–
	-----	-----	-----	-----
<b>Total share capital</b>		<b>16,872</b>		<b>16,872</b>
		=====		=====

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

	<b>Exercise date</b>	<b>Exercise price</b>	<b>Premium</b>
First subscription date	30 November 2017	370.75p	1%
Second subscription date	30 November 2018	381.75p	4%
Final subscription date	29 November 2019	392.75p	7%

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

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

### 15 Reserves

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

The “capital redemption reserve” maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend. It cannot be used to fund share repurchases.

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

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

The “capital reserve” reflects realised gains or losses on investments and derivative instruments sold, unrealised increases and decreases in the fair value of investments and derivative instruments held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital.

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

### 16 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £280,191,000 (2016: £237,545,000) and on 67,488,213 (2016: 67,488,213) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share reflects the potential dilution in the net asset value per ordinary share if the rights of the 13,497,222 subscription shares in issue had been exercised on 31 July 2017 at the first exercise date price of 370.75 pence per share. The basis of the calculation is in accordance with the guidelines laid down by the AIC. There was no dilution at 31 July 2016 as no subscription shares were in issue.

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

## 17 Financial Instruments

### Management of risk

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

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;
- Derivative instruments including CFDs, futures and options; and
- Cash, liquid resources and short term receivables and payables that arise from its operations.

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

### Market price risk

#### Interest rate risk

The Company finances its operations through ordinary share capital and reserves. In addition, the Company may achieve a geared exposure to Asian equities through the use of derivative instruments which incur funding costs. Consequently the Company is exposed to a financial risk as a result of increases in Asian interest rates.

#### Interest rate risk exposure

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

	2017 £'000	2016 £'000
<b>Exposure to financial instruments that earn interest</b>		
Cash at bank	14,822	14,324
Short CFDs – exposure plus fair value	13,147	5,129
Amounts held in margin accounts	1,937	991
	----- 29,906	----- 20,444
	=====	=====
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs – exposure less fair value	1,812	4,149
	-----	-----
<b>Net exposure to financial instruments that earn interest</b>	28,094	16,295
	=====	=====

### Foreign currency risk

The Company's net return on ordinary activities after taxation and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling.

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

- movements in currency exchange rates affecting the value of investments and derivative instruments;
- movements in currency exchange rates affecting short term timing differences, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs; and
- movements in currency exchange rates affecting income received.

The portfolio management team monitor foreign currency risk but it is not the Company's policy to hedge against currency risk.

### Currency exposure of financial assets

The Company's financial assets comprise equity investments, long exposures to derivative instruments, other receivables and cash and cash equivalents. The currency profile of these financial assets is shown below:

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

1 The gross asset exposure of long CFDs after the netting of hedging exposures.

2 Other receivables include amounts held in margin accounts.

	investments at fair	gross asset exposure to long
--	------------------------	------------------------------------

2016

	value through profit or loss	derivative instruments	other receivables*	cash	total
currency	£'000	£'000	£'000	£'000	£'000
Indian rupee	45,185	–	63	30	45,278
Hong Kong dollar	35,952	–	104	54	36,110
US dollar	14,291	5,643	1	11,620	31,555
Taiwan dollar	24,690	–	73	904	25,667
Singapore dollar	18,717	–	90	–	18,807
Australian dollar	16,816	–	365	–	17,181
Thai baht	15,471	–	227	–	15,698
South Korean won	15,416	–	1	3	15,420
Philippine peso	12,741	–	–	–	12,741
Indonesian rupiah	9,969	–	4	–	9,973
Malaysian ringgit	5,236	–	–	–	5,236
Other overseas currencies	7,940	–	7	1,564	9,511
UK sterling	–	–	1,074	149	1,223
	222,424	5,643	2,009	14,324	244,400

\* Other receivables include amounts held in margin accounts.

#### Currency exposure of financial liabilities

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

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

  

	exposure to short derivative instruments		other payables	total
currency	£'000	£'000	£'000	£'000
US dollar	3,520	–	20	3,540
Hong Kong dollar	2,789	–	–	2,789

South Korean won	–	806	806
Australian dollar	666	–	666
Other overseas currencies	–	575	575
UK sterling	–	408	408
	-----	-----	-----
	6,975	1,809	8,784
	=====	=====	=====

### 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

The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold to meet funding commitments when needed. Short term flexibility is achieved by the use of a bank overdraft, if required. Other financial liabilities are repayable within one year.

### Counterparty risk

Certain of the derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps Dealers Association's ("ISDA") market standard derivative legal documentation. These are known as Over The Counter ("OTC") trades. 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 Investment Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

For OTC derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 July 2017 £17,000 (2016: £846,000) was held by the brokers, in government bonds in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company and £1,937,000 (2016: £991,000) was deposited by the Company in cash, shown as amounts in margin accounts on the Balance Sheet, in a segregated account at the brokers, to reduce the credit risk exposure of the brokers.

### 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 Investment Managers 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 Investment Manager. Exposure to credit risk arises on unsettled security transactions and derivative instrument contracts and cash at bank.

### Derivative instrument risk

The Company's investment policy allows derivative instruments to be employed for the following purposes:

- as an alternative form of gearing to bank loans. The Company would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs;
- to hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost; and
- to enhance the investment returns by taking short exposures on stocks that the Investment Manager considers to be over-valued.

Derivative instruments are subject to Other Price Risk and the measures taken to control it as described above in this Note. In addition, the portfolio management team includes an experienced, specialist derivatives team that uses portfolio risk assessment and construction tools to manage the risk and investment performance of derivative instruments.

## RISK SENSITIVITY ANALYSIS

### Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the balance sheet date, an increase of 0.25% in interest rates throughout the year would have increased the net return on ordinary activities after taxation for the year and increased the net assets of the Company by £70,000 (2016: £41,000). 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 assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a strengthening of the UK sterling exchange rate by 10% against other currencies would have decreased the net return on ordinary activities after taxation for the year and decreased the net assets of the Company by the following amounts:

	2017	2016
<b>currency</b>	<b>£'000</b>	<b>£'000</b>
Indian rupee	(4,808)	(4,114)
Hong Kong dollar	(3,671)	(3,273)
Taiwan dollar	(3,399)	(2,333)
South Korean won	(2,768)	(1,329)
Australian dollar	(2,247)	(1,553)
US dollar	(1,878)	(2,427)
	-----	-----
	<b>(18,771)</b>	<b>(15,029)</b>
	=====	=====

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a weakening of the UK sterling exchange rate by 10% against other currencies would have increased the net return on ordinary activities after taxation for the year and increased the net assets of the Company by the following amounts:

	2017	2016
<b>currency</b>	<b>£'000</b>	<b>£'000</b>
Indian rupee	5,877	5,028
Hong Kong dollar	4,487	4,000
Taiwan dollar	4,155	2,852
South Korean won	3,383	1,624
Australian dollar	2,746	1,899
US dollar	2,295	2,966
	-----	-----
	<b>22,943</b>	<b>18,369</b>
	=====	=====

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

An increase of 10% in the fair value of investments at 31 July 2017 would have increased the net return on ordinary activities after taxation for the year and increased the net assets of the Company by £26,408,000 (2016: £22,242,000). A decrease of 10% in the fair value of investments would have had an equal and opposite effect.

### Other price risk – exposure to derivative instruments sensitivity analysis

An increase of 10% in the fair value of the investments underlying the derivative instruments at 31 July 2017 would have decreased the net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £2,077,000 (2016: £133,000). A decrease of 10% in the fair value of investments underlying the derivative instruments would have had an equal and opposite effect.

### Fair Value of Financial Assets and Liabilities

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

<b>Classification</b>	<b>Input</b>
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:

	<b>level 1</b>	<b>level 2</b>	<b>2017</b>	<b>level 1</b>	<b>level 2</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>total</b>	<b>£'000</b>	<b>£'000</b>	<b>total</b>
			<b>£'000</b>			<b>£'000</b>
<b>Financial assets at fair value through profit or loss</b>						
Investments	<b>259,508</b>	<b>4,568</b>	<b>264,076</b>	216,658	5,766	222,424
Derivative instruments	<b>789</b>	<b>2,040</b>	<b>2,829</b>	–	1,139	1,139
	<b>260,297</b>	<b>6,608</b>	<b>266,905</b>	216,658	6,905	223,563
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative instruments	<b>(60)</b>	<b>(1,494)</b>	<b>(1,554)</b>	(188)	(354)	(542)

## 18 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 above, and any gearing, which may be achieved through the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Annual Report. The principal risks and their management are disclosed in the Strategic Report and in Note 17 above.

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

	<b>2017</b>	<b>2016</b>
	<b>gross asset</b>	<b>gross asset</b>
	<b>exposure</b>	<b>exposure</b>
	<b>£'000</b>	<b>£'000</b>
Long exposures to shares and equity linked notes	<b>264,076</b>	222,424
Covered call options reducing the above exposure	–	(1,517)
Long CFDs	<b>3,009</b>	5,263
Written put options	–	380
<b>Total long exposures</b>	<b>267,085</b>	226,550
Less: hedging exposure to Index linked put options	<b>(8,583)</b>	–
<b>Total long exposures after the netting of hedges</b>	<b>258,502</b>	226,550
Short CFDs	<b>14,099</b>	5,458
Short future	<b>1,094</b>	–

<b>Gross Asset Exposure</b>	<b>273,695</b>	232,008
	=====	=====
<b>Total Shareholders' Funds</b>	<b>280,191</b>	237,545
	=====	=====
<b>Gearing – (net cash position)*</b>	<b>(2.3%)</b>	(2.3%)
	-----	-----

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

#### **19 Transactions with the Manager and Related Parties**

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report in the Annual Report and in Note 4 above. During the year management fees of £2,500,000 (2016: £1,847,000) and secretarial and administration fees of £75,000 (2016: £75,000) were payable to FIL. At the Balance Sheet date management fees of £220,000 (2016: £174,000) and secretarial and administration fees of £46,000 (2016: £46,000) were accrued and included in other payables. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £144,000 (2016: £122,000). At the Balance Sheet date marketing services of £3,000 (2016: £14,000) were accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report in the Annual Report. The Directors received compensation of £135,000 (2016: £135,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £11,000 (2016: £11,000) of employers' National Insurance Contributions paid by the Company.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 July 2017 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 2016 and 2017 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 2016 is derived from the statutory accounts for 2016 which have been delivered to the Registrar of Companies. The 2017 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 later this month 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 11.00 am on 7 December 2017 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