

# Fidelity European Values PLC

## Half-Yearly results for the six months ended 30 June 2018 (unaudited)

### Financial Highlights:

- Fidelity European Values PLC's net asset value (NAV) increased by 2.3% in the six months to 30 June 2018 outperforming the Benchmark return of -1.4%
- Trade wars and political uncertainty in continental Europe continue to trouble European stockmarkets
- Energy and technology sectors were stand-out performers

### Contacts

#### For further information, please contact:

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## Portfolio Manager's Half-Yearly Review

### Performance Review

During the first six months of the year the net asset value ("NAV") total return was +2.3% compared to a total return of -1.4% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was +0.7%, which is below the NAV total return because of a widening in the share price discount to NAV. (All figures in UK sterling.)

### Performance over one, three and five years and since launch to 30 June 2018 (on a total return basis) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+8.1	+4.7	+2.5
Three years	+45.4	+36.2	+40.3
Five years	+73.8	+78.8	+65.1
Since launch (1991)	+3,224.1	+2,950.9	+951.8

### Analysis of change in NAV for the six months ended 30 June 2018 (%)

#### Impact of:

Index	-1.1
Exchange Rate	-0.4
Gearing	+0.1
Stock Selection	+4.1
Expenses	-0.4

### NAV total return for the six months ended 30 June 2018

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**+2.3**  
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Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

### Market Review

Continental European markets struggled in the first half of the year.

The first days of January continued the positive momentum of 2017 but, after only three weeks or so, equities began to retreat as investors started to worry about protectionism. In late January, the U.S. launched its first salvo: approving tariffs on imported washing machines and solar panels, thereby delivering on Donald Trump's "America First" campaign pledge. This was soon followed up with the announcement of proposed tariffs on imported steel and aluminium. The ensuing war of words on trade quickly escalated into further threats of more tariffs by the U.S. and retaliatory tariffs by America's trading partners. Markets, which had recovered their poise somewhat after a robust set of first quarter earnings results, fell back again to end the half year into negative territory.

Why do equity markets care so much about trade wars? Although trade can create winners and losers, as Trump has opined, it has also been demonstrated that trade is a net benefit to the global economy. European companies' earnings and dividends are dependent on the health of the global economy. The imposition of trade barriers may, in the

short term, secure the jobs of those protected, such as American steel workers, but often results in off-setting job losses elsewhere, for instance, in industries in which steel is a key input or in other geographies which export steel to America. Investing memories are long and many have blamed the length of the Great Depression of the 1930s on the Smoot-Hawley tariffs imposed by the U.S. on its trading partners nine months after the Wall Street crash of 1929.

What else troubled the European stock-markets in this period? Political uncertainty - in both Italy and Spain incumbent governments were replaced. The rejection of established political parties continues apace in continental Europe bringing renewed uncertainty as investors are introduced to new political forces whose actions, and potential influence on local economies and local stock-markets, are more difficult to predict. Uncertainty around "Brexit" also continued to rumble on in the background and although the direct consequences for many continental European companies, which in aggregate only source around 5% of sales and earnings from the UK, may be small, some, such as those in the automotive sector, would be more directly affected, especially in the event of a no deal Brexit.

Sector returns diverged in this period. The energy sector was the standout performer in Europe in the first six months of 2018, as the oil price continued to rise and as the major integrated oil companies delivered on their plans to improve operating and capital efficiency enabling them to generate more cash and sustain attractive levels of dividend. The Technology sector performed strongly too, led by the strength of the sector in the U.S. stock market which has made European peers seem relatively inexpensive.

At the other end of the spectrum, the financial sector declined. Many investors expected the European Central Bank ("ECB") to follow the Federal Reserve in raising interest rates as the global economy strengthened. This would benefit European banks that, to date, are earning little from deposits placed with them given low or negative interest rates. Worries about the fragility of European economic growth coupled with the strength of the Euro has probably postponed any such increases. Banks in the so-called 'peripheral' economies of Spain and Italy were also negatively impacted by rising sovereign bond yields given the change in political leadership, in these highly-indebted countries, towards governments that are expected to spend significantly more than they receive in taxes.

### **Portfolio Manager's Report**

The Company's net asset value rose during the period while the Benchmark Index fell slightly.

The Company's investment focus on reliable dividend growers often means that it does relatively well when investors grow more nervous and when equity markets struggle. Other general factors have also played to the Company's advantage during this period. Sector positioning, for instance, has been a significant contributor to relative performance. The Company's technology holdings: Dassault Systemes, ASML, Amadeus IT Group and SAP all contributed positively while Royal Dutch Shell and Total benefited from the strength of the energy sector. Conversely, having no holdings in the automotive sector, which has been hit hard by tariff concerns, added to the Company's relative performance.

In terms of individual stock picking, Deutsche Boerse was a strong performer during this period. The newly-appointed chief executive, Theodor Weimer, has endorsed the existing growth initiatives of the company and has confirmed that the group will be able to meet its financial goal of averaging double-digit earnings growth in the next three years. The company is also benefiting from two cyclical drivers: increased volatility and rising U.S. interest rates. The former drives higher turnover on their derivatives exchange Eurex and the latter increases the profit made on customer cash balances held at their custody and settlement business, Clearstream.

### **Gearing**

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Manager has flexibility to gear within parameters set by the Board. As at 30 June 2018, the Company's gross gearing was 10.3% (31.12.17: 13.2%; and 30.06.17: 3.6%) whilst net gearing was 3.1% (31.12.17: 3.6%; and 30.06.17: 3.6%). In the six month reporting period, gearing made a small positive contribution to performance, as can be seen from the attribution analysis table above.

The Board monitors the level of gearing and the use of derivative instruments carefully and has set a risk control framework for this purpose and this is reviewed at each Board meeting.

### **Outlook**

Investors in continental European markets appear increasingly cautious. This is not surprising given that we are, most likely, in the later stages of the economic and stock-market cycles. There is also uncertainty about the outlook in many directions: political and economic. Sentiment has swung considerably in six months from positive to negative; the widening discount of the Company is, perhaps, a notable indicator here. There is a growing concern that protectionism will slow the pace of global economic growth. Meanwhile input costs, such as oil and wages, continue to rise which may put further pressure on the margins of continental European companies. The profit cycle may be peaking at a time when there is little valuation support in equities and at a time when interest rates and bond yields are rising which drains the liquidity that has supported equity markets since the global financial crisis. The bull case is that America's trade partners will climb down and negotiate a truce to end the "trade wars". Dispersion in valuations has grown with less favoured parts of the market such as the automobile and financial sectors appearing now to be very "cheap" if earnings hold up. If sentiment swings again, markets could snap back with a sharp "value-led" rally. The Company will continue, however, to maintain a focus on attractively-valued cash-generative companies, with strong balance sheets, which have the potential to grow their dividends consistently over a three to five-year period.

By order of the Board

**FIL Investments International**

31 July 2018

## **Interim Management Report**

### **Board Changes**

James Robinson stepped down from the Board at the Annual General Meeting on 14 May 2018 after serving as a Director for over ten years and as a Senior Independent Director and Chairman of the Audit Committee for eight years. The Board thank him for his invaluable contribution to the Company. Fleur Meijs succeeded James as Chair of the Audit Committee and Marion Sears succeeded James as Senior Independent Director.

### **Management Fees**

As reported in the Annual Report for the year ended 31 December 2017, the Board agreed a new fee structure with the Manager effective from 1 April 2018. The previous fee rate of 0.85 per cent of the Company's net assets will only apply to the first £400 million of funds under management and a new rate of 0.75 per cent of the Company's net assets will apply to funds in excess of £400 million. Given the value of the Company (£1,032 million as at 30 June 2018), this will represent an important saving for shareholders.

### **Discount Management and Treasury Shares**

The Board continues to adopt an active discount management policy. Whilst the primary purpose of this policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to the NAV per ordinary share. 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 altogether. These shares are then available to re-issue at a premium to NAV, facilitating the management of and enhancing liquidity in the Company's shares. As a result of the widening of the discount, the Company repurchased 800,000 ordinary shares into Treasury in the six month reporting period. Since the end of the reporting period and as at the date of this report, the Company has repurchased a further 976,066 ordinary shares into Treasury.

### **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, has identified the key risks and uncertainties faced by the Company. These principal risks and uncertainties fall into the following categories: market risk; performance risk; economic and political risk; discount control risk; gearing risk; derivatives risk; cybercrime risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2017 and can be found on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

These risks and uncertainties have not materially changed during the six months to 30 June 2018 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 the Company Secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 14 to the Financial Statements below.

### **Going Concern**

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 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 two years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2019.

By order of the Board

**FIL Investments International**

31 July 2018

### **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.

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

The Half-Yearly Report was approved by the Board on 31 July 2018 and the above responsibility statement was signed on its behalf by Vivian Bazalgette, Chairman.

### **Twenty Largest Holdings as at 30 June 2018**

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

	Gross Asset Exposure		Balance Sheet Value
Long exposures – shares unless otherwise stated	£'000	% <sup>1</sup>	£'000
<b>Nestlé</b>			
Packaged food	61,987	6.0	61,987
<b>Roche</b>			
Pharmaceuticals	43,150	4.2	43,150
<b>Total</b>			
Oil and gas	40,535	3.9	40,535
<b>SAP</b>			
Software	37,812	3.7	37,812
<b>Sanofi (shares &amp; long CFD)</b>			
Pharmaceuticals	33,654	3.3	21,138
<b>L'Oreal</b>			
Personal goods	33,620	3.2	33,620
<b>ASML</b>			
Semiconductors	33,264	3.2	33,264
<b>Novo Nordisk</b>			
Healthcare services	32,782	3.2	32,782
<b>Essilor International</b>			
Healthcare services	31,584	3.0	31,584
<b>Deutsche Boerse</b>			
Financial services	31,207	3.0	31,207
<b>DNB</b>			
Banks	30,966	3.0	30,966
<b>Sampo</b>			
Non-life insurance	30,814	3.0	30,814
<b>Intesa Sanpaolo (preference shares and ordinary shares)</b>			
Banks	29,583	2.9	29,583
<b>Fresenius Medical Care</b>			
Healthcare services	29,528	2.9	29,528
<b>Symrise</b>			
Chemicals	28,819	2.8	28,819
<b>Royal Dutch Shell</b>			
Oil and gas	28,237	2.7	28,237
<b>Legrand</b>			
Electronic & electrical equipment	27,781	2.7	27,781
<b>LVMH Moët Hennessy</b>			
Personal goods	27,415	2.7	27,415
<b>Linde (shares &amp; long CFD)</b>			
Chemicals	26,796	2.6	15,536
<b>ABN Amro Group</b>			
Banks	25,215	2.4	25,215
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<b>Twenty largest long exposures</b>	<b>664,749</b>	<b>64.4</b>	<b>640,973</b>
<b>Other long exposures</b>	<b>379,728</b>	<b>36.8</b>	<b>379,728</b>
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<b>Total long exposures before long futures<sup>2,3</sup></b>	<b>1,044,477</b>	<b>101.2</b>	<b>1,020,701</b>
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<b>Long Futures</b>			
Euro Stoxx 50 Future September 2018 <sup>3</sup>	57,398	5.5	(1,490)
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<b>Total long exposures after long futures<sup>3</sup></b>	<b>1,101,875</b>	<b>106.7</b>	<b>1,019,211</b>
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<b>Short Exposures</b>			
Short CFDs (7 holdings) <sup>3</sup>	37,177	3.6	(1,689)
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<b>Gross Asset Exposure<sup>3,4</sup></b>	<b>1,139,052</b>	<b>110.3</b>	
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<b>Portfolio Fair Value<sup>5</sup></b>			<b>1,017,522</b>
Net current assets (excluding derivative assets and liabilities)			14,817
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<b>Shareholders' Funds (per the Balance Sheet below)</b>			<b>1,032,339</b>
			=====

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

2 Total long exposures before long futures comprises investments of £1,021,008,000 and long CFDs of £23,469,000.

3 See Note 13 below.

4 Gross Asset Exposure comprises market exposure to investments of £1,021,008,000 plus market exposure to all derivative instruments of £118,044,000. Derivative instruments comprise long CFDs of £23,469,000, long futures of £57,398,000 and short CFDs of £37,177,000.

5 Portfolio Fair Value comprises investments of £1,021,008,000 plus derivative assets of £2,211,000 less derivative liabilities of £5,697,000 (per the Balance Sheet below).

## FINANCIAL STATEMENTS

### Income Statement

for the six months ended 30 June 2018

	Six months ended 30 June 2018			Six months ended 30 June 2017			Year ended 31 December 2017			
	Notes	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments		–	3,551	3,551	–	96,378	96,378	–	152,924	152,924
(Losses)/gains on derivative instruments		–	(2,002)	(2,002)	–	3,248	3,248	–	1,211	1,211
Income	4	27,837	–	27,837	23,701	–	23,701	29,384	–	29,384
Investment management fees	5	(1,004)	(3,011)	(4,015)	(3,961)	–	(3,961)	(8,281)	–	(8,281)
Other expenses		(426)	–	(426)	(391)	–	(391)	(802)	–	(802)
Foreign exchange (losses)/gains		–	(9)	(9)	–	(5)	(5)	–	22	22
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>26,407</b>	<b>(1,471)</b>	<b>24,936</b>	19,349	99,621	118,970	20,301	154,157	174,458
Finance costs	6	(318)	(954)	(1,272)	–	–	–	(308)	–	(308)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>26,089</b>	<b>(2,425)</b>	<b>23,664</b>	19,349	99,621	118,970	19,993	154,157	174,150
Taxation on return on ordinary activities	7	(1,529)	–	(1,529)	(1,498)	–	(1,498)	(1,840)	–	(1,840)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		<b>24,560</b>	<b>(2,425)</b>	<b>22,135</b>	17,851	99,621	117,472	18,153	154,157	172,310
<b>Return/(loss) per ordinary share</b>	8	<b>5.92p</b>	<b>(0.58p)</b>	<b>5.34p</b>	4.30p	23.99p	28.29p	4.37p	37.13p	41.50p

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 Other Comprehensive Income has been presented.

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

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



**Statement of Changes in Equity  
for the six months ended 30 June 2018**

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
<b>Six months ended 30 June 2018 (unaudited)</b>							
<b>Total shareholders' funds at 31 December 2017</b>		<b>10,411</b>	<b>58,615</b>	<b>5,414</b>	<b>929,452</b>	<b>26,156</b>	<b>1,030,048</b>
Net return on ordinary activities after taxation for the period		–	–	–	(2,425)	24,560	22,135
Dividend paid to shareholders	9	–	–	–	–	(18,061)	(18,061)
Repurchase of ordinary shares		–	–	–	(1,783)	–	(1,783)
<b>Total shareholders' funds at 30 June 2018</b>		<b>10,411</b>	<b>58,615</b>	<b>5,414</b>	<b>925,244</b>	<b>32,655</b>	<b>1,032,339</b>
<b>Six months ended 30 June 2017 (unaudited)</b>							
<b>Total shareholders' funds at 31 December 2016</b>		10,411	58,615	5,414	775,588	25,323	875,351
Net return on ordinary activities after taxation for the period		–	–	–	99,621	17,851	117,472
Dividend paid to shareholders	9	–	–	–	–	(17,320)	(17,320)
Repurchase of ordinary shares		–	–	–	(292)	–	(292)
<b>Total shareholders' funds at 30 June 2017</b>		<b>10,411</b>	<b>58,615</b>	<b>5,414</b>	<b>874,917</b>	<b>25,854</b>	<b>975,211</b>
<b>Year ended 31 December 2017 (audited)</b>							
<b>Total shareholders' funds at 31 December 2016</b>		10,411	58,615	5,414	775,588	25,323	875,351
Net return on ordinary activities after taxation for the year		–	–	–	154,157	18,153	172,310
Dividend paid to shareholders	9	–	–	–	–	(17,320)	(17,320)
Repurchase of ordinary shares		–	–	–	(293)	–	(293)
<b>Total shareholders' funds at 31 December 2017</b>		<b>10,411</b>	<b>58,615</b>	<b>5,414</b>	<b>929,452</b>	<b>26,156</b>	<b>1,030,048</b>

**Balance Sheet**  
**as at 30 June 2018**

Company Number 2638812

	Notes	30 June 2018 unaudited £'000	31 December 2017 audited £'000	30 June 2017 unaudited £'000
<b>Fixed assets</b>				
Investments	10	<b>1,021,008</b>	1,011,114	961,022
		=====	=====	=====
<b>Current assets</b>				
Derivative instruments	10	<b>2,211</b>	3,652	2,742
Debtors		<b>7,630</b>	5,929	5,454
Amounts held at futures clearing houses and brokers		<b>9,226</b>	11,127	–
Fidelity Institutional Liquidity Fund		<b>–</b>	3,030	4,004
Cash at bank		<b>808</b>	4,128	4,403
		<b>19,875</b>	27,866	16,603
<b>Creditors</b>				
Derivative instruments	10	<b>(5,697)</b>	(6,575)	(104)
Other creditors		<b>(2,847)</b>	(2,357)	(2,310)
		-----	-----	-----
		<b>(8,544)</b>	(8,932)	(2,414)
		=====	=====	=====
<b>Net current assets</b>		<b>11,331</b>	18,934	14,189
		=====	=====	=====
<b>Net assets</b>		<b>1,032,339</b>	1,030,048	975,211
		=====	=====	=====
<b>Capital and reserves</b>				
Share capital	11	<b>10,411</b>	10,411	10,411
Share premium account		<b>58,615</b>	58,615	58,615
Capital redemption reserve		<b>5,414</b>	5,414	5,414
Capital reserve		<b>925,244</b>	929,452	874,917
Revenue reserve		<b>32,655</b>	26,156	25,854
		=====	=====	=====
<b>Total shareholders' funds</b>		<b>1,032,339</b>	1,030,048	975,211
		=====	=====	=====
<b>Net asset value per ordinary share</b>	12	<b>249.12p</b>	248.08p	234.88p
		=====	=====	=====

## Notes to the Financial Statements

### 1 Principal Activity

Fidelity European 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 2638812, 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 December 2017 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 January 2017 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 December 2017.

With effect from 1 January 2018, 25% of investment management fees and finance costs are charged to revenue and 75% to capital.

### 4 Income

	<b>Six months ended 30.06.18 unaudited £'000</b>	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
<b>Investment income</b>			
Overseas dividends	<b>22,828</b>	18,830	22,271
Overseas scrip dividends	<b>1,125</b>	2,345	3,094
UK dividends	<b>1,092</b>	874	1,394
UK scrip dividends	<b>–</b>	290	611
	<b>25,045</b>	22,339	27,370
<b>Derivative income</b>			
Income recognised from futures contracts	<b>1,838</b>	–	434
Dividends received on long CFDs	<b>916</b>	1,329	1,525
Interest received on long CFDs*	<b>24</b>	22	43
	<b>2,778</b>	1,351	2,002
<b>Investment and derivative income</b>	<b>27,823</b>	23,690	29,372

<b>Other interest</b>			
Interest received on bank deposits and money market funds	14	11	12
	14	11	12
<b>Total income</b>	<b>27,837</b>	23,701	29,384

\* Due to negative interest rates during the reporting period, the Company received interest on its long CFDs.

#### 5 Investment Management Fees

	revenue* £'000	capital* £'000	total £'000
<b>Six months ended 30 June 2018 (unaudited)</b>			
Investment management fees	1,004	3,011	4,015
<b>Six months ended 30 June 2017 (unaudited)</b>			
Investment management fees	3,961	–	3,961
<b>Year ended 31 December 2017 (audited)</b>			
Investment management fees	8,281	–	8,281

\* As disclosed in Note 3, investment management fees for the six months ended 30 June 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017 and the six months ended 30 June 2017, investment management fees were charged 100% to revenue.

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 April 2018, FIL charges fees at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Prior to this date, fees were charged at a rate of 0.85% of net assets.

From 1 April 2018, fees are calculated on a daily basis and paid monthly in arrears. Prior to this date they were paid quarterly in arrears and calculated on the last business day of March, June, September and December.

#### 6 Finance Costs

	revenue* £'000	capital* £'000	total £'000
<b>Six months ended 30 June 2018 (unaudited)</b>			
Interest paid on short CFDs**	40	119	159
Dividends paid on short CFDs	278	835	1,113
	318	954	1,272
<b>Six months ended 30 June 2017 (unaudited)</b>			
Interest paid on short CFDs	–	–	–

Dividends paid on short CFDs	–	–	–
	-----	-----	-----
	–	–	–
	=====	=====	=====
<b>Year ended 31 December 2017 (audited)</b>			
Interest paid on short CFDs**	128	–	128
Dividends paid on short CFDs	180	–	180
	-----	-----	-----
	308	–	308
	=====	=====	=====

\* As disclosed in Note 3, finance costs for the six months ended 30 June 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017 and the six months ended 30 June 2017, finance costs were charged 100% to revenue.

\*\* Due to negative interest rates during the reporting period, the Company paid interest on its short CFDs.

## 7 Taxation on Return on Ordinary Activities

	<b>Six months ended 30.06.18 unaudited £'000</b>	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Overseas taxation	<b>1,529</b>	1,498	1,857
Prior year adjustment	–	–	(17)
	-----	-----	-----
<b>Total taxation charge for the period</b>	<b>1,529</b>	1,498	1,840
	=====	=====	=====

## 8 Return/(loss) per Ordinary Share

	<b>Six months ended 30.06.18 unaudited 5.92p</b>	Six months ended 30.06.17 unaudited 4.30p	Year ended 31.12.17 audited 4.37p
Revenue return per ordinary share	<b>5.92p</b>	4.30p	4.37p
Capital (loss)/return per ordinary share	<b>(0.58p)</b>	23.99p	37.13p
	-----	-----	-----
<b>Total return per ordinary share</b>	<b>5.34p</b>	28.29p	41.50p
	=====	=====	=====

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 in issue held outside Treasury during the period, as shown below:

	<b>£'000</b>	£'000	£'000
Net revenue return on ordinary activities after taxation	<b>24,560</b>	17,851	18,153

Net capital (loss)/return on ordinary activities after taxation	(2,425)	99,621	154,157
Net total return on ordinary activities after taxation	<b>22,135</b>	117,472	172,310
Weighted average number of ordinary shares in issue during the period	<b>number</b> 415,143,613	number 415,274,276	number 415,237,930

## 9 Dividends Paid to Shareholders

	<b>Six months ended</b> <b>30.06.18</b> <b>unaudited</b> <b>£'000</b>	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Final dividend of 4.35 pence per ordinary share paid for the year ended 31 December 2017	<b>18,061</b>	–	–
Final dividend of 4.17 pence per ordinary share paid for the year ended 31 December 2016	–	17,320	17,320
	<b>18,061</b>	17,320	17,320

No dividend has been declared in respect of the six months ended 30 June 2018.

## 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.

<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 table below sets out the Company's fair value hierarchy:

	30 June 2018 unaudited		31 December 2017 audited		30 June 2017 unaudited	
	level 1 £'000	level 2 £'000	level 1 £'000	level 2 £'000	level 1 £'000	level 2 £'000
<b>Financial assets at fair value through profit or loss</b>						
Investments	1,021,008	–	1,011,114	–	961,022	–
Derivative instrument assets	–	2,211	–	3,652	–	2,742
	<b>1,021,008</b>	<b>2,211</b>	1,011,114	3,652	961,022	2,742

**Financial liabilities at fair value through profit or loss**

Derivative instrument liabilities	(1,490)	(4,207)	(1,580)	(4,995)	–	(104)
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**11 Share Capital**

	30 June 2018 unaudited		31 December 2017 audited		30 June 2017 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
<b>Issued, allotted and fully paid Ordinary shares of 2.5 pence each held outside Treasury</b>						
<b>Beginning of the period</b>	415,202,177	10,380	415,352,177	10,384	415,352,177	10,384
Ordinary shares repurchased into Treasury	(800,000)	(20)	(150,000)	(4)	(150,000)	(4)
<b>End of the period</b>	414,402,177	10,360	415,202,177	10,380	415,202,177	10,380
<b>Ordinary shares of 2.5 pence each held in Treasury*</b>						
<b>Beginning of the period</b>	1,245,733	31	1,095,733	27	1,095,733	27
Ordinary shares repurchased into Treasury	800,000	20	150,000	4	150,000	4
<b>End of the period</b>	2,045,733	51	1,245,733	31	1,245,733	31
<b>Total share capital</b>		10,411		10,411		10,411

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

**12 Net Asset Value per Ordinary Share**

The net asset value per ordinary share is based on net assets of £1,032,339,000 (31 December 2017: £1,030,048,000 and 30 June 2017: £975,211,000) and on 414,402,177 (31 December 2017: 415,202,177 and 30 June 2017: 415,202,177) ordinary shares, being the number of ordinary shares of 2.5 pence each held outside Treasury in issue at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

**13 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 in the Balance Sheet above, and its gearing which is 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.

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

	gross asset exposure		net asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
<b>30 June 2018 (unaudited)</b>				
Investments	1,021,008	98.9	1,021,008	98.9
Long CFDs	23,469	2.3	23,469	2.3

Long futures	57,398	5.5	57,398	5.5
<b>Total long exposures</b>	<b>1,101,875</b>	<b>106.7</b>	<b>1,101,875</b>	<b>106.7</b>
Short CFDs	37,177	3.6	(37,177)	(3.6)
<b>Gross/net asset exposure</b>	<b>1,139,052</b>	<b>110.3</b>	<b>1,064,698</b>	<b>103.1</b>
<b>Shareholders' funds</b>	<b>1,032,339</b>		<b>1,032,339</b>	
<b>Gearing<sup>2</sup></b>		<b>10.3</b>		<b>3.1</b>
<b>31 December 2017 (audited)</b>				
Investments	1,011,114	98.1	1,011,114	98.1
Long CFDs	36,169	3.5	36,169	3.5
Long futures	69,693	6.8	69,693	6.8
<b>Total long exposures</b>	<b>1,116,976</b>	<b>108.4</b>	<b>1,116,976</b>	<b>108.4</b>
Short CFDs	48,990	4.8	(48,990)	(4.8)
<b>Gross/net asset exposure</b>	<b>1,165,966</b>	<b>113.2</b>	<b>1,067,986</b>	<b>103.6</b>
<b>Shareholders' funds</b>	<b>1,030,048</b>		<b>1,030,048</b>	
<b>Gearing<sup>2</sup></b>		<b>13.2</b>		<b>3.6</b>
<b>30 June 2017 (unaudited)</b>				
Investments	961,022	98.5	961,022	98.5
Long CFDs	49,452	5.1	49,452	5.1
Long futures	–	–	–	–
<b>Total long exposures</b>	<b>1,010,474</b>	<b>103.6</b>	<b>1,010,474</b>	<b>103.6</b>
Short CFDs	–	–	–	–
<b>Gross/net asset exposure</b>	<b>1,010,474</b>	<b>103.6</b>	<b>1,010,474</b>	<b>103.6</b>
<b>Shareholders' funds</b>	<b>975,211</b>		<b>975,211</b>	
<b>Gearing<sup>2</sup></b>		<b>3.6</b>		<b>3.6</b>

1 Exposure to the market expressed as a percentage of Shareholders' funds.



2 Gearing is the amount by which gross/net asset exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.

#### **14 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 services 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 5.

During the period, management fees of £4,015,000 (year ended 31 December 2017: £8,281,000 and six months ended 30 June 2017: £3,961,000) were payable to FIL. At the Balance Sheet date management fees of £1,973,000 (31 December 2017: £2,185,000 and 30 June 2017: £2,065,000) 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 £70,000 (year ended 31 December 2017: £144,000 and six months ended 30 June 2017: £65,000). At the Balance Sheet date £1,000 (31 December 2017: £1,000 and 30 June 2017: £27,000) for marketing services was accrued and included in other creditors.

As at 30 June 2018, the Board consisted of five non-executive Directors, all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £40,000, the Audit Committee Chair an annual fee of £30,000, the Senior Independent Director an annual fee of £28,500 and each Director an annual fee of £26,000. The following members of the Board held shares in the Company: Vivian Bazalgette 30,000 ordinary shares, Fleur Meijs 16,970 ordinary shares, Robin Niblett 15,000 ordinary shares, Marion Sears 25,475 ordinary shares, and Paul Yates 32,000 ordinary 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](http://www.morningstar.co.uk/uk/NSM)

The Half-Yearly Report will also be available on the Company's website at [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.