

Fidelity China Special Situations PLC

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

Financial Highlights:

- Fidelity China Special Situations PLC's (the "Company") Net Asset Value ("NAV") per Share total return was -9.1% in the 6 months to 30 September 2018 compared to the MSCI China Index total return of -4.0%
- The Company's Share Price total return for the six month period was -8.8%
- Over a 3 year period, the NAV total return was 79.4% and the Share Price return was 87.2%, both outperforming the MSCI China Index return of +70.7%
- Despite recent volatility in Chinese markets, Portfolio Manager, Dale Nicholls, is confident of long-term growth potential in the Company's portfolio

Contacts

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FIL Investments International

Portfolio Manager's Half-Yearly Review

How did the portfolio perform?

For the six months ended 30 September 2018, the NAV of the Company declined by 9.1% and its share price by 8.8%. This compared to a fall in the MSCI China Index (the Company's Benchmark Index) of 4.0%. (All performance data on a total return basis.)

Why did the portfolio underperform?

Despite strong performance by some of the holdings, the portfolio underperformed the Benchmark Index because of better performance by companies in the Index that the Company did not hold during the reporting period. This was particularly the case in the energy sector where the share prices of CNOOC and PetroChina increased with the higher oil price. This was partly offset by gains in China Petroleum & Chemical which is held because of its attractive valuation, improving refining mix and the potential unlocking of value in its marketing business. In addition certain portfolio holdings were marked down sharply. Vipshop, a major e-commerce platform for apparel and flash sales, faced a challenging environment with strong competition and as yet little to show for its collaboration with Tencent Holdings and JD.com. Kingsoft, a software and internet service company, experienced delays in launching new online games, which brought a series of downgrades.

Strong performers included Yihai International, a 'Hotpot' condiment company which continued to deliver very strong growth particularly in the retail market through its collaboration with Haidilao, a successful restaurant chain. During the reporting period, two of the Company's unlisted holdings were listed: Aurora Mobile Limited ('Jiguang') on Nasdaq in the US and Meituan Dianping (formerly 'China Internet Plus Holdings') in Hong Kong, both at market prices above their carrying values.

Significant correction in October

Chinese stock markets were volatile during the reporting period. Additionally, October saw one of the sharpest monthly falls since the global financial crisis of 2008.

Are you worried about escalating trade tensions?

The prospect of much higher trade tariffs is clearly a concern: there are no winners in a trade war. Chinese exporters will see higher import duties on their products sold in the US and the US consumer is likely to see higher prices and increased inflation as a result. While Chinese exports to the US as a proportion of their total exports globally has been falling for years as China has expanded its global reach and trading partners, increased tariffs will impact the export sector. Of greater concern is the broader impact on general sentiment and the prospect of delayed investment by Chinese companies in general.

A key part of the analysis we carry out on companies is evaluating their pricing power, which is clearly important when we are looking at the effect of tariffs and a company's ability to pass on higher costs. Our analysis of the companies in the portfolio shows that only 1.5% of revenues are from the US whilst over 93% come from Greater China.

Are we seeing a slowdown in consumption?

There has been a slowdown in the rate of growth of consumption, particularly in larger durable goods such as cars. This has not been helped by falling markets and the sense that house prices have peaked. Whilst there has been a tapering-off in consumption growth, I do not see signs that we are entering a major adjustment: growth rates in China remain the envy of most economies. Retail sales are still showing year-on-year growth of 9% despite the decline in car sales. The vast majority of the companies we focus on continue to deliver solid earnings growth.

How have the two largest holdings, Alibaba and Tencent performed?

Having been big contributors to the market gains last year, both companies have dipped this year. For Alibaba Group, the slowdown in consumption is a concern, but it continues to consolidate its leading position in e-commerce in China and there remains significant potential to monetise its customer base. The decision to delay monetisation for the long-term health of its ecosystem was the main factor behind recently lowered earnings guidance. Still, underlying growth of around 40% remains enviable - there are few companies of this size globally achieving this rate of growth. A recent meeting with management in Hangzhou with our Board supported my confidence around this strong mid-term growth outlook. Valuations are back to compelling levels when we consider the various parts of the business including its dominant position in cloud and financial services via Ant Financial.

In August, Tencent Holdings reported its first drop in net profits for 13 years, although this did in part reflect one-off issues. It announced that there would be delays in

obtaining regulatory approvals for new mobile games which account for a significant part of its revenues. This is a result of recent announcements of a review of regulation of this industry. We expect the regulatory position to become clearer in the coming months. The disappointing results and announcements sent the share price lower. However, the fundamental growth story remains unchanged and is closely linked to Chinese consumption trends with one billion active users of its WeChat messaging service. The potential to monetise this customer base remains significant. We expect Tencent to retain its leadership position in the mobile games sector. It is possible that the new regulatory regime could strengthen its position.

Tencent and Alibaba remain the portfolio's largest holdings.

What changes are you making to the portfolio?

Activity in the portfolio has been focused on opportunities that arise during a period of indiscriminate sell-off. Some short positions, particularly in the more cyclical stocks, have been closed as the economic slowdown was reflected in lower share prices. Some holdings and net gearing have been increased with the more compelling risk-reward opportunities.

Certain sectors are particularly sensitive to market falls, such as insurance and investment companies. In many companies, valuations have dropped to historically low levels that significantly discount their attractive long-term growth prospects. Insurance is hugely underpenetrated relative to the West with demand coming from the growing middle class in China. The long-term prospects in capital markets, particularly for institutions, make securities firms very attractive at these prices.

The A-share market is very much in the news. The inclusion of A-shares in the MSCI Index and the ability for international investors to invest through the Stock Connect facility have both given rise to strong inward flows. The Company has been investing very selectively in industrial companies in the A-share market, including in artificial intelligence and surveillance companies, which have also fallen to historical low valuation levels despite their strong mid-term growth prospects.

What is your outlook for the market?

China is a volatile market so there are always such risks. I take comfort from much lower valuations following the recent falls and the fact that negative factors overhanging the market have been well publicised. Investments in the Company's portfolio are predominantly focused on the domestic market and only 1.5% of their revenues are exposed to the US. Even with a general economic slowdown, the medium term prospects for earnings growth remain strong. The current level of the stock market may or may not be the bottom of the market, but I am confident of long-term growth in the Company's portfolio from these levels.

Dale Nicholls

Portfolio Manager

22 November 2018

Interim Management Report

Gearing

The Company has a three-year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US\$150,000,000. The interest rate is fixed at 3.01% per annum until the facility terminates on 14 February 2020.

To achieve further gearing, the Company uses contracts for difference (“CFDs”) on a number of holdings in its portfolio.

At 30 September 2018, the Company’s gearing, defined as Gross Asset Exposure in excess of Net Assets, was 26.0% (31 March 2018: 20.2%; 30 September 2017: 26.2%). This is within the limit set by the Company’s Prospectus of 30%.

Unlisted Investments

The Company held four unlisted investments at the start of the reporting period. Two new investments were made in the reporting period and two investments became listed: Aurora Mobile Limited (‘Jiguang’) and Meituan Dianping (formerly ‘China Internet Plus Holdings’), both at prices above their carrying values. Accordingly, the Company held four unlisted investments at the end of the period.

Discount Management

The Company’s discount narrowed slightly from 12.3% at the start of the reporting period to 12.1% at the end of the reporting period.

The Board recognises that the Company’s share price is affected by the interaction of supply and demand in the market and investor sentiment towards China, as well as the performance of the NAV per share.

Recognising these factors, the Board regularly reviews the level of discount and continues to discuss the ways in which it might be reduced so that the Company’s shares can trade at a level closer to the NAV. The Board also monitors market practice amongst peer group companies and also take regular advice from the Company’s Broker on this subject.

At present, the Board believes that the discount is best addressed by repurchasing the Company’s shares, when appropriate, according to market conditions. During the reporting period, the Board authorised the repurchase of 1,100,000 ordinary shares by the Company to be held in Treasury. These share repurchases will have benefited shareholders as the NAV per share has been increased by purchasing shares at a discount. Since the end of the reporting period and as at the date of this report, the Company has repurchased a further 450,000 ordinary shares into Treasury.

Management Fees

As mentioned in the Annual Report for the year ended 31 March 2018 and effective from 1 July 2018, the Board agreed a new fee arrangement with FIL Investment Services (UK) Limited, the Company’s Alternative Investment Fund Manager (the “Manager”). The new fee reduced the annual fee of 1.00% of net assets to 0.90% of net assets per annum, with a +/-0.20% variation fee based on the Company’s NAV per share performance relative to the Company’s Benchmark Index. The maximum fee that the Company will now pay is 1.10% of net assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.70% of net assets. The revised management fee provides an overall reduction from the previous management fee structure, especially in those years where a performance fee was payable.

The management fee paid for the three months from 1 April to 30 June 2018 was at 1.00% of net assets and for the three months to 30 September 2018 was at 0.90% in line with the new fee arrangements.

In addition, the annual administration fee reduced by £500,000 to £100,000 with effect from 1 April 2018.

Board of Directors

John Ford did not stand for re-election at the Annual General Meeting (“AGM”) and left the Board on 25 July 2018.

David Causer plans to stand down from the Board at next year's AGM when he will have completed nine years on the Board since the Company launched in 2010.

Mike Balfour was appointed to the Board on 1 October, 2018. It is intended that he will become Chair of the Audit and Risk Committee after the next AGM in succession to David Causer. This is in line with the Board's succession plan.

Vera Hong Wei resigned from the Board on 31 October 2018. The Board has appointed a specialist consultancy firm to identify a new Director.

Principal Risks and Uncertainties

The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the “Manager”), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks and uncertainties that the Company faces.

The Board considers that the principal risks and uncertainties faced by the Company continue to fall into the following categories: market, performance, discount control, gearing and currency risks. Other risks facing the Company include cybercrime, tax and regulatory and operational (service providers) risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 March 2018 and can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

The Company continues to have exposure to a number of companies with all or part of their business in Variable Interest Entity (“VIE”) structures. VIEs are entities where the controlling interest is not based on a majority of voting rights and may result in a risk to investors in not being able to enforce their ownership rights in certain circumstances. As at 30 September 2018, 47.96% of the companies in the portfolio had a VIE structure (Benchmark Index: 38.16%).

These principal risks and uncertainties have not materially changed in the six months to 30 September 2018 and are equally applicable to the remaining six months of the Company's financial year.

Transactions with the Managers and Related Parties

The Manager has delegated the investment management (other than investment management in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretariat function to FIL Investments International. Transactions with the Managers and related party transactions with the Directors are disclosed in Note 15 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 in preparing these Financial Statements.

By order of the Board.

FIL Investments International

22 November 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 International Accounting Standards 34: "Interim Financial Reporting"; and
- b) the Interim Management Report, including the Portfolio Manager's Half-Yearly Review, 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 22 November 2018 and the above responsibility statement was signed on its behalf by Nicholas Bull, Chairman.

Twenty Largest Holdings

as at 30 September 2018

The Gross Asset Exposures shown below measure the exposure of the Company's portfolio to market price movements in the shares owned or in the shares underlying the 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
	£'000	% ¹	Value
			£'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs)			
Internet, mobile and telecommunications services provider	200,606	14.9	85,298
Alibaba Group Holdings (shares and long CFD)			
e-commerce group	142,912	10.6	135,882
China Pacific Insurance Group (shares and long CFDs)			
Insurance company	66,552	5.0	4,405
Hutchison China MediTech			
Pharmaceutical and healthcare group	47,333	3.5	47,333
China Meidong Auto Holdings			
Automobile dealership and maintenance group	34,963	2.6	34,963
China Petroleum & Chemical Corporation (long CFD)			
Oil and gas company based in Beijing	32,503	2.4	622
China Life Insurance Company (long CFD)			
Insurance company	32,144	2.4	(9,527)
CITIC Telecom International Holdings (long CFDs)			
Telecoms company	27,461	2.1	3,629
Kingdee International (long CFD)			
Enterprise management and e-commerce software company	27,265	2.0	1,920
21Vianet Group			
Internet and data center service provider	26,428	2.0	26,428
Noah Holdings			
Asset managers	26,123	1.9	26,123
China Taiping Insurance Holdings (shares and long CFD)			
Insurance company	24,167	1.8	14,738
Unlisted Investment			
Leading manufacturer of drones	22,985	1.7	22,985
NetEase			
Internet technology company	22,136	1.6	22,136
Xiaoju Kuaizhi Inc ('Didi Chuxing') (unlisted)			
Mobile taxi booking applications developer	22,054	1.6	22,054
Meituan Dianping			
Online food delivery to ticketing services platform	20,903	1.6	20,903
58.com			
Online marketplace operator serving local merchants and consumers	20,573	1.5	20,573
Aurora Mobile Limited ('Jiguang')			
Design and development of software solutions	19,443	1.4	19,443
Ctrip.com			
Travel services provider	19,105	1.4	19,105
China Biologic Products Holdings			
Plasma-based biopharmaceutical company	18,841	1.4	18,841
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Twenty largest long exposures	854,497	63.4	537,854
Other long exposures	926,030	68.8	787,669

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Total long exposures before hedges (166 holdings)	1,780,527	132.2	1,325,523

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Less: hedging exposures			
Hang Seng China Enterprises Index (future)	(47,382)	(3.6)	45
iShares FTSE A50 China Index ETF (short CFDs)	(23,793)	(1.8)	4,938
S&P 500 (put option)	(4,420)	(0.3)	209
Hang Seng Index (put options)	(58,522)	(4.3)	3,218

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Total hedging exposures	(134,117)	(10.0)	8,410

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Total long exposures after the netting of hedges	1,646,410	122.2	1,333,933

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Add: short exposures			
Short CFDs (14 holdings)	50,690	3.8	(354)

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Gross Asset Exposure²	1,697,100	126.0	

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Portfolio Fair Value^{3,4}			1,333,579
Net assets excluding derivative instruments			12,957

Net assets			1,346,536

1 Gross Asset Exposure is expressed as a percentage of net assets

2 Gross Asset Exposure comprises market exposure to investments of £1,412,941,000 plus market exposure to derivative instruments of £284,159,000

3 Portfolio Fair Value comprises investments of £1,412,941,000 plus derivative assets of £22,217,000 less derivative liabilities of £101,579,000 (per the Balance Sheet below)

4 At 30 September 2018, the Company held four unlisted investments with a fair value of £62,111,000 representing 4.3% of Gross Assets (31 March 2018: four unlisted investments with a fair value of £64,339,000 representing 4.0% of Gross Assets)

FINANCIAL STATEMENTS

Income Statement

for the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 unaudited			Year ended 31 March 2018 audited			Six months ended 30 September 2017 unaudited		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Revenue										
Investment income	4	17,125	–	17,125	21,761	–	21,761	19,577	–	19,577
Derivative income	4	9,748	–	9,748	7,076	–	7,076	6,882	–	6,882
Other income	4	140	–	140	163	–	163	131	–	131
Total income		27,013	–	27,013	29,000	–	29,000	26,590	–	26,590
(Losses)/gains on investments at fair value through profit or loss		–	(84,752)	(84,752)	–	212,441	212,441	–	131,190	131,190
(Losses)/gains on derivative instruments		–	(58,811)	(58,811)	–	45,967	45,967	–	12,667	12,667
Foreign exchange gains/(losses) on other net assets		–	4,940	4,940	–	(954)	(954)	–	(3,863)	(3,863)
Foreign exchange (losses)/gains on bank loans		–	(7,950)	(7,950)	–	12,690	12,690	–	7,733	7,733
Total income and gains/(losses)		27,013	(146,573)	(119,560)	29,000	270,144	299,144	26,590	147,727	174,317
Expenses										
Investment management fees	5	(1,788)	(5,363)	(7,151)	(3,548)	(10,645)	(14,193)	(1,664)	(4,991)	(6,655)
Other expenses		(614)	–	(614)	(1,630)	–	(1,630)	(807)	–	(807)
Profit/(loss) before finance costs and taxation		24,611	(151,936)	(127,325)	23,822	259,499	283,321	24,119	142,736	166,855
Finance costs	6	(1,601)	(4,805)	(6,406)	(2,161)	(6,485)	(8,646)	(1,059)	(3,177)	(4,236)
Profit/(loss) before taxation		23,010	(156,741)	(133,731)	21,661	253,014	274,675	23,060	139,559	162,619
Taxation	7	(972)	321	(651)	(673)	–	(673)	(632)	–	(632)
Profit/(loss) after taxation for the period		22,038	(156,420)	(134,382)	20,988	253,014	274,002	22,428	139,559	161,987
Earnings/(loss) per ordinary share	8	4.00p	(28.39p)	(24.39p)	3.80p	45.86p	49.66p	4.06p	25.29p	29.35p

The Company does not have any income or expenses that are not included in the profit/(loss) after taxation for the period. Accordingly the profit/(loss) 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 and is prepared in accordance with IFRS. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

All the profit/(losses) and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests.

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 September 2018

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Six months ended 30 September 2018 (unaudited)								
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Repurchase of ordinary shares		–	–	–	(2,666)	–	–	(2,666)
(Loss)/profit after taxation for the period		–	–	–	–	(156,420)	22,038	(134,382)
Dividend paid	9	–	–	–	–	–	(19,282)	(19,282)
Total equity at 30 September 2018		5,713	211,569	914	332,827	762,138	33,375	1,346,536
Year ended 31 March 2018 (audited)								
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Repurchase of ordinary shares		–	–	–	(1,132)	–	–	(1,132)
Profit after taxation for the year		–	–	–	–	253,014	20,988	274,002
Dividend paid	9	–	–	–	–	–	(13,798)	(13,798)
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Six months ended 30 September 2017 (unaudited)								
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Repurchase of ordinary shares		–	–	–	(647)	–	–	(647)
Profit after taxation for the period		–	–	–	–	139,559	22,428	161,987
Dividend paid	9	–	–	–	–	–	(13,798)	(13,798)
Total equity at 30 September 2017		5,713	211,569	914	335,978	805,103	32,059	1,391,336

Balance Sheet

as at 30 September 2018

Company number 7133583

	Notes	30.09.18 unaudited £'000	31.03.18 audited £'000	30.09.17 unaudited £'000
Non current assets				
Investments at fair value through profit or loss	10	1,412,941	1,495,818	1,382,656
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Current assets				
Derivative instruments	10	22,217	37,518	80,627
Amounts held at futures clearing houses and brokers		84,977	30,247	2,181
Other receivables	11	5,651	10,714	4,678
Cash and cash equivalents		42,764	80,439	80,353
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		155,609	158,918	167,839
		=====	=====	=====
Current liabilities				
Derivative instruments	10	(101,579)	(34,841)	(44,406)
Other payables	12	(5,510)	(10,054)	(2,821)
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		(107,089)	(44,895)	(47,227)
		=====	=====	=====
Net current assets		48,520	114,023	120,612
		=====	=====	=====
Total assets less current liabilities		1,461,461	1,609,841	1,503,268
		=====	=====	=====
Non-current liabilities				
Bank loans		(114,925)	(106,975)	(111,932)
		-----	-----	-----
Net assets		1,346,536	1,502,866	1,391,336
		=====	=====	=====
Equity attributable to equity shareholders				
Share capital	13	5,713	5,713	5,713
Share premium account		211,569	211,569	211,569
Capital redemption reserve		914	914	914
Other reserve		332,827	335,493	335,978
Capital reserve		762,138	918,558	805,103
Revenue reserve		33,375	30,619	32,059
		-----	-----	-----
Total equity		1,346,536	1,502,866	1,391,336
		=====	=====	=====
Net asset value per ordinary share	14	244.68p	272.55p	252.23p
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Cash Flow Statement

at 30 September 2018

	Six months ended 30 September 2018 unaudited £'000	Year ended 31 March 2018 audited £'000	Six months ended 30 September 2017 unaudited £'000
Operating activities			
Cash inflow from investment income	16,054	19,148	17,424
Cash inflow from derivative income	8,957	7,078	6,304
Cash inflow from other income	140	163	131
Cash outflow from Directors' fees	(109)	(148)	(82)
Cash outflow from other payments	(7,250)	(17,335)	(8,881)
Cash outflow from the purchase of investments	(259,285)	(438,969)	(195,780)
Cash outflow from the purchase of derivatives	(8,486)	(7,914)	(2,487)
Cash inflow from the sale of investments	258,885	456,943	244,941
Cash inflow/(outflow) from the settlement of derivatives	31,792	66,385	(6,345)
Cash outflow from amounts held at futures clearing houses and brokers	(54,976)	(28,178)	(112)
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Net cash (outflow)/inflow from operating activities before servicing of finance	(14,278)	57,173	55,113
	=====	=====	=====
Financing activities			
Cash outflow from loan interest paid	(1,736)	(3,487)	(1,781)
Cash outflow from CFD interest paid	(2,909)	(3,180)	(1,197)
Cash outflow from short CFD dividends paid	(1,744)	(1,905)	(1,196)
Cash outflow from the repurchase of ordinary shares	(2,666)	(1,132)	(647)
Cash outflow from dividends paid to shareholders	(19,282)	(13,798)	(13,798)
	-----	-----	-----
Cash outflow from financing activities	(28,337)	(23,502)	(18,619)
	=====	=====	=====
(Decrease)/increase in cash and cash equivalents	(42,615)	33,671	36,494
Cash and cash equivalents at the start of the period	80,439	47,722	47,722
Effect of foreign exchange movements	4,940	(954)	(3,863)
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Cash and cash equivalents at the end of the period	42,764	80,439	80,353
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Notes to the Financial Statements

1 Principal Activity

Fidelity China Special Situations 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 7133583, 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 March 2018 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included in 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

These Half-Yearly Financial Statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and use the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 March 2018. Those Financial Statements were prepared in accordance with; International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRC interpretations and, as far as it is consistent with IFRS, 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.

4 Income

	Six months ended 30.09.18 unaudited £'000	Year ended 31.03.18 audited £'000	Six months ended 30.09.17 unaudited £'000
Investment income			
Overseas dividends	17,125	20,753	19,426
Overseas scrip dividends	–	1,008	151
	-----	-----	-----
	17,125	21,761	19,577
	=====	=====	=====
Derivative income			
Dividends on long CFDs	9,638	7,026	6,869
Interest on short CFDs	110	50	13
	-----	-----	-----
	9,748	7,076	6,882
	=====	=====	=====
Other income			
Deposit interest	140	163	131
	-----	-----	-----
Total income	27,013	29,000	26,590
	=====	=====	=====

5 Investment Management Fees

revenue £'000	capital £'000	total £'000
------------------	------------------	----------------

Six months ended 30 September 2018 (unaudited)

Investment management fees	1,788	5,363	7,151
	=====	=====	=====

Year ended 31 March 2018 (audited)

Investment management fees	3,548	10,645	14,193
	=====	=====	=====

Six months ended 30 September 2017 (unaudited)

Investment management fees	1,664	4,991	6,655
	=====	=====	=====

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager ("the Manager") and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited and FIL Investments International ("the Investment Managers").

From 1 July 2018, the Company has adopted a variable management fee model ("VMF"). The new arrangement has replaced the Company's previous agreement of 1.00% of the Company's net assets per annum and has removed the existing performance fee of up to 1.00%. The new fee has reduced the annual headline fee of 1.00% of net assets to 0.90% of net assets per annum plus a +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. The maximum fee that the Company will pay is 1.10% of net assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.70% of net assets.

6 Finance Costs

	revenue £'000	capital £'000	total £'000
Six months ended 30 September 2018 (unaudited)			
Interest on bank loans and overdrafts	446	1,339	1,785
Interest paid on CFDs	719	2,158	2,877
Dividends paid on short CFDs	436	1,308	1,744
	-----	-----	-----
	1,601	4,805	6,406
	=====	=====	=====
Year ended 31 March 2018 (audited)			
Interest on bank loans and overdrafts	854	2,563	3,417
Interest paid on CFDs	831	2,493	3,324
Dividends paid on short CFDs	476	1,429	1,905
	-----	-----	-----
	2,161	6,485	8,646
	=====	=====	=====
Six months ended 30 September 2017 (unaudited)			
Interest on bank loans and overdrafts	437	1,311	1,748
Interest paid on CFDs	323	969	1,292
Dividends paid on short CFDs	299	897	1,196
	-----	-----	-----
	1,059	3,177	4,236
	=====	=====	=====

7 Taxation

	revenue £'000	capital £'000	total £'000
Six months ended 30 September 2018 (unaudited)			
UK Corporation tax	321	(321)	–
Overseas taxation	651	–	651
	-----	-----	-----
Taxation charge for the period	972	(321)	651
	=====	=====	=====
Year ended 31 March 2018 (audited)			
Overseas taxation	673	–	673
	-----	-----	-----
Taxation charge for the year	673	–	673
	=====	=====	=====
Six months ended 30 September 2017 (unaudited)			
Overseas taxation	632	–	632
	-----	-----	-----
Taxation charge for the period	632	–	632
	=====	=====	=====

8 Earnings/(Loss) per Ordinary Share

	Six months ended 30.09.18 unaudited	Year ended 31.03.18 audited	Six months ended 30.09.17 unaudited
Revenue earnings per ordinary share	4.00p	3.80p	4.06p
Capital (loss)/earnings per ordinary share	(28.39p)	45.86p	25.29p
	-----	-----	-----
Total (loss)/earnings per ordinary share	(24.39p)	49.66p	29.35p
	=====	=====	=====

The earnings/(loss) per ordinary share is based on the profit/(loss) 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:

	£'000	£'000	£'000
Revenue profit after taxation for the period	22,038	20,988	22,428
	-----	-----	-----
Capital (loss)/profit after taxation for the period	(156,420)	253,014	139,559
	-----	-----	-----
Total (loss)/profit after taxation for the period	(134,382)	274,002	161,987
	=====	=====	=====
	number	number	number

Weighted average number of ordinary shares held outside Treasury in issue

550,973,770 551,681,603 551,899,179
=====

9 Dividends Paid to Shareholders

	Six months ended 30.09.18 unaudited £'000	Year ended 31.03.18 audited £'000	Six months ended 30.09.17 unaudited £'000
Dividend paid of 3.50 pence per ordinary share for the year ended 31 March 2018	19,282	–	–
Dividend paid of 2.50 pence per ordinary share for the year ended 31 March 2017	–	13,798	13,798
	----- 19,282	----- 13,798	----- 13,798
	=====	=====	=====

No dividend has been declared for the six months ended 30 September 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.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are as disclosed in the Company's Annual Report for the year ended 31 March 2018 (Accounting Policies Notes 2 (l) and (m) on pages 48 and 49). The table below sets out the Company's fair value hierarchy:

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
30 September 2018 (unaudited)				
Financial assets at fair value through profit or loss				
Investments – shares	1,320,582	–	92,359	1,412,941
Derivative instruments	1,650	20,567	–	22,217
	----- 1,322,232	----- 20,567	----- 92,359	----- 1,435,158
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(101,579)	–	(101,579)
	----- –	----- (101,579)	----- –	----- (101,579)
	=====	=====	=====	=====
Financial liabilities at fair value				
Bank loan	–	(113,546)	–	(113,546)
	----- –	----- (113,546)	----- –	----- (113,546)
	=====	=====	=====	=====

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
31 March 2018 (audited)				
Financial assets at fair value through profit or loss				
Investments – shares	1,431,461	–	64,357	1,495,818
Derivative instruments	9,253	28,265	–	37,518
	1,440,714	28,265	64,357	1,533,336
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(34,841)	–	(34,841)
Financial liabilities at fair value				
Bank loan	–	(105,860)	–	(105,860)

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
30 September 2017 (unaudited)				
Financial assets at fair value through profit or loss				
Investments – shares	1,323,903	–	55,679	1,379,582
Investments – equity linked notes	–	3,074	–	3,074
Derivative instruments	156	80,471	–	80,627
	1,324,059	83,545	55,679	1,463,283
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(44,406)	–	(44,406)
Financial liabilities at fair value				
Bank loan	–	(112,213)	–	(112,213)

11 Other Receivables

	Six months ended 30.09.18 unaudited £'000	Year ended 31.03.18 audited £'000	Six months ended 30.09.17 unaudited £'000
Amounts due from dissenters claim	–	5,354	–
Securities sold for future settlement	2,685	3,750	2,041
Accrued income	2,887	1,551	2,569
Other receivables	79	59	68

5,651	10,714	4,678
=====	=====	=====

12 Other Payables

	Six months ended 30.09.18 unaudited £'000	Year ended 31.03.18 audited £'000	Six months ended 30.09.17 unaudited £'000
Securities purchased for future settlement	2,608	7,798	868
Investment management, secretarial and administration fees	2,047	1,439	1,202
Accrued expenses	855	817	751
	-----	-----	-----
	5,510	10,054	2,821
	=====	=====	=====

13 Share Capital

	30 September 2018 unaudited		31 March 2018 audited		30 September 2017 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Issued, allotted and fully paid						
Ordinary Shares of 1 penny each – Held outside Treasury						
Beginning of the period	551,414,480	5,514	551,914,480	5,519	551,914,480	5,519
Ordinary shares repurchased into Treasury	(1,100,000)	(11)	(500,000)	(5)	(300,000)	(3)
	-----	-----	-----	-----	-----	-----
End of the period	550,314,480	5,503	551,414,480	5,514	551,614,480	5,516
	=====	=====	=====	=====	=====	=====
Ordinary shares of 1 penny each – Held in Treasury*						
Beginning of the period	19,940,000	199	19,440,000	194	19,440,000	194
Ordinary Shares repurchased into Treasury	1,100,000	11	500,000	5	300,000	3
	-----	-----	-----	-----	-----	-----
End of the period	21,040,000	210	19,940,000	199	19,740,000	197
	=====	=====	=====	=====	=====	=====
Total share capital	5,713	5,713	5,713	5,713	5,713	5,713
	=====	=====	=====	=====	=====	=====

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

During the period the Company repurchased 1,100,000 ordinary shares (year ended 31 March 2018: 500,000 and six months ended 30 September 2017: 300,000) and held them in Treasury. The cost of repurchasing these shares of £2,666,000 (year ended 31 March 2018: £1,132,000 and six months ended 30 September 2017: £647,000) was

charged to the Other Reserve.

14 Net Asset Value Per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,346,536,000 (31 March 2018: £1,502,866,000 and 30 September 2017: £1,391,336,000) and on 550,314,480 (31 March 2018: 551,414,480 and 30 September 2017: 551,614,480) ordinary shares, being the number of ordinary shares 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, the shares held in Treasury have no dilutive effect.

15 Transactions with the Managers and Related Parties

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

Details of the current fee arrangements are given in Note 5 above. During the year management fees of £7,151,000 (year ended 31 March 2018: £14,193,000 and six months ended 30 September 2017: £6,655,000), and accounting, administration and secretarial fees of £50,000 (year ended 31 March 2018: £600,000 and six months ended 30 September 2017: £300,000) were payable to the Managers. Fidelity also provides the Company with marketing services. The total amount charged for these services during the period was £117,000 (year ended 31 March 2018: £201,000 and six months ended 30 September 2017: £106,000). Amounts payable to the Managers at the Balance Sheet date are included in other payables and are disclosed in Note 12 above.

At the date of this report, the Board consisted of five non-executive Directors all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company.

The Chairman receives an annual fee of £42,000, the Audit Committee Chairman receives an annual fee of £32,000, the Chairman of the Investment Committee receives an annual fee of £31,500, the Senior Independent Director receives an annual fee of £31,500 and each other Director receives an annual fee of £26,500. The following members of the Board hold ordinary shares in the Company at the date of this report: Mike Balfour 45,000 shares, Nicholas Bull 110,804 shares, David Causer 65,804 shares, Peter Pleydell-Bouverie 93,758 shares and Elisabeth Scott 19,819 shares.

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

ENDS

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

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