










 For more information click here to visit Fidelity online



Welcome to the Fidelity Special Values PLC Annual Report 2023.

This interactive PDF allows you to access information easily, search for a specific item or go directly to another page, section or website.

Guide to buttons

-  Go to main contents page
-  Search this PDF
-  Print options
-  Go to next page
-  Go to previous page
-  Enlarge page size
-  Reduce page size

Links in this PDF

-  Dynamic links – clicking on them will take you to further information within the document
-  Web links – clicking on them will take you to further information (opens in a new window).

Tabs

Clicking on one of the tabs at the side of the page takes you to the start of that section.



FidelityTM
INTERNATIONAL

FIDELITY SPECIAL VALUES PLC

Annual Report for the year ended 31 August 2023



For more information click here to visit Fidelity online

Investment Objective and Overview

Fidelity Special Values PLC aims to achieve long-term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.

The Company aims to achieve long-term capital growth for Shareholders by investing in 'special situations'. It aims to seek out underappreciated companies primarily listed in the UK, but may invest up to 20% of total net assets outside of UK companies.

It is an actively managed contrarian investment Company that thrives on

volatility and uncertainty. Supported by an extensive research team, the Portfolio Manager looks to invest in out-of-favour companies, having spotted potential triggers for positive change believed to have been missed by others.

By building a portfolio of stocks that are at different stages of their recovery process, the intention is

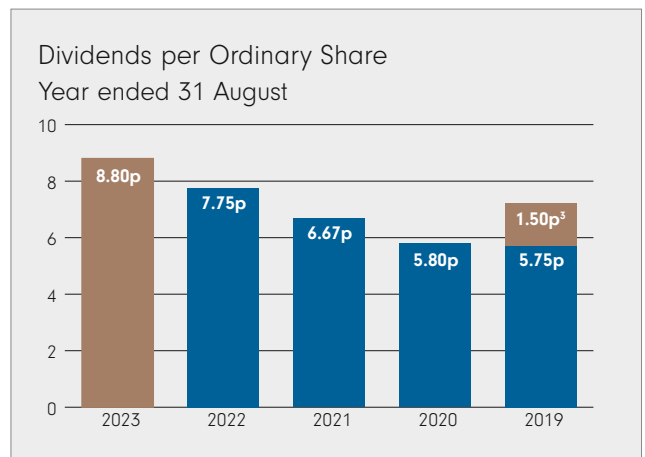
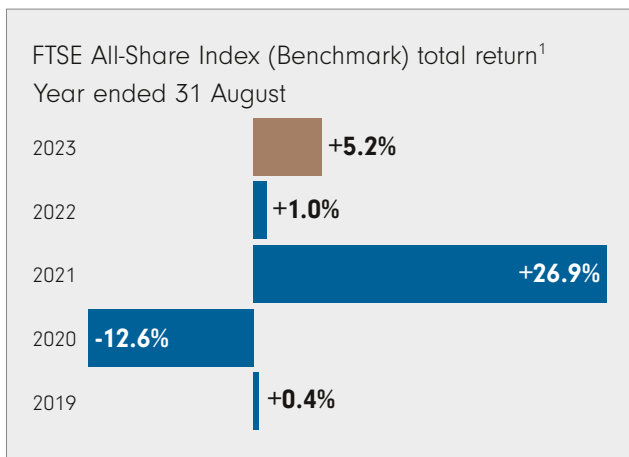
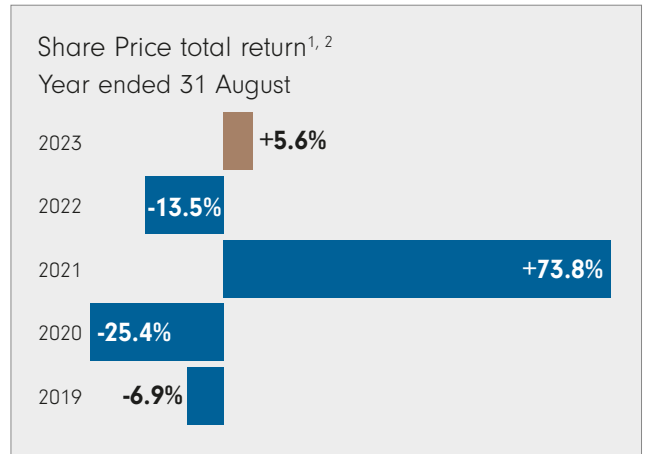
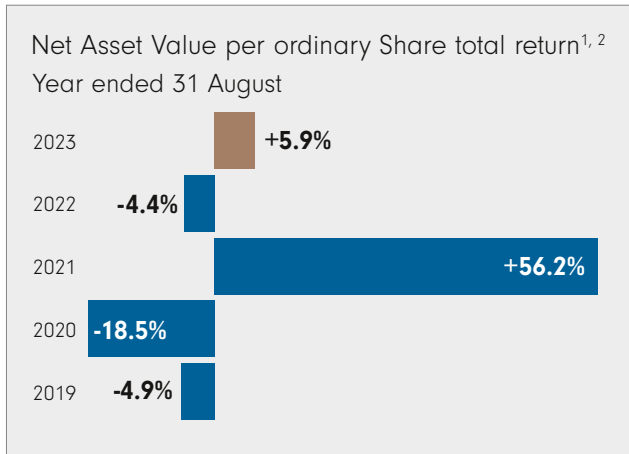
to deliver outperformance across different market environments.

In what continues to be a testing period for the market, the Company's net asset value per ordinary share total return for the reporting year was +5.9% and the share price total return was +5.6%, whilst the FTSE All-Share Index (Benchmark) total return was +5.2%.



At a Glance

The Company's net asset value per ordinary share increased by **5.9%** and the share price by **5.6%**, whilst the Benchmark increased by **5.2%** (all performance data on a total return basis).



¹ Includes reinvested income.

² Alternative Performance Measures (see page 79).

³ Special dividend from the increased income generated for the year ended 31 August 2019.

As at 31 August 2023

Shareholders' Funds

£951.0m

Market Capitalisation

£867.0m

Capital Structure

Ordinary Shares of 5 pence each

324,098,920

Summary of the key aspects of the Investment Policy

The investment approach is flexible, with positions in large, medium and smaller sized companies, across all industries. The Company may make limited investments in companies outside of the UK.

The Company may also invest in other transferable securities, collective investment schemes, money market instruments, cash and deposits, and is also able to use derivatives for efficient portfolio management and investment purposes.

The Company is able to gear the portfolio and the Board takes the view that long-term returns for Shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

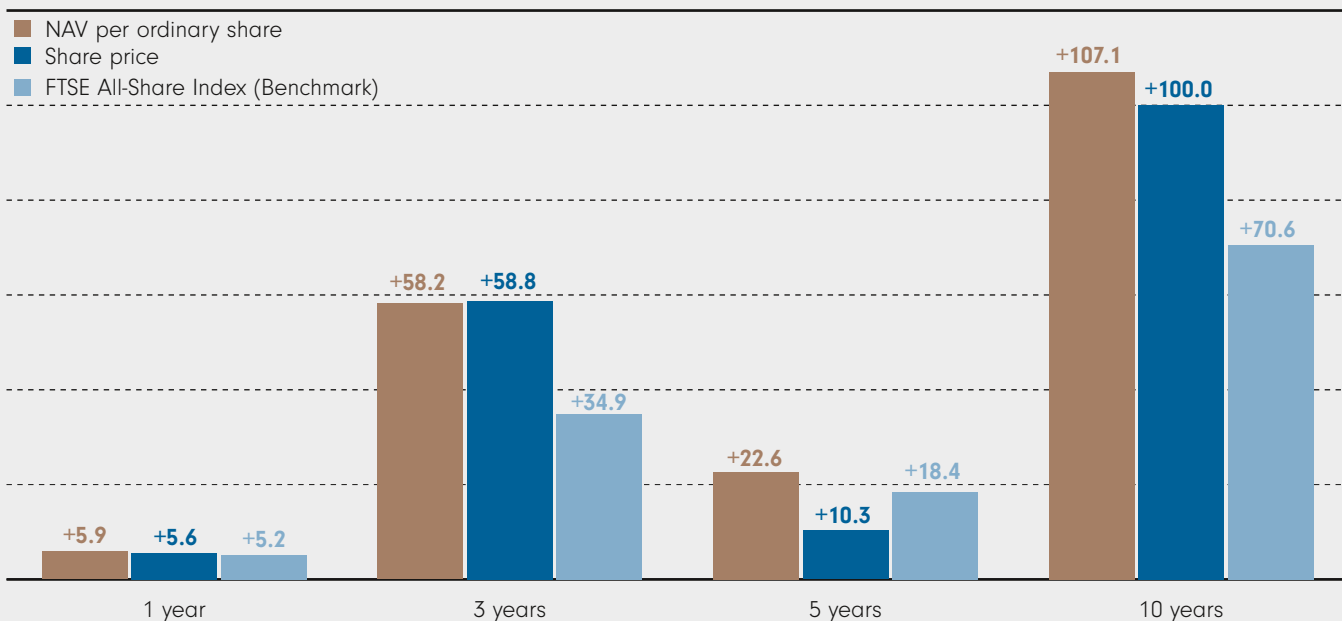
Financial Highlights

	2023	2022
Assets at 31 August		
Shareholders' funds	£951.0m	£922.6m
Net Asset Value ("NAV") per ordinary share ¹	293.44p	284.67p
Dividends for the year to 31 August		
Final dividend proposed per ordinary share	6.27p	5.45p
Interim dividend paid per ordinary share	2.53p	2.30p
Total dividends for the year	8.80p	7.75p
Share price and discount data for the year ended 31 August		
Share price at the year end	267.50p	260.50p
Share price: year high	293.00p	315.00p
Share price: year low	234.00p	250.00p
(Discount) at the year end ¹	(8.8%)	(8.5%)
(Discount: year low)/Premium: year high	(2.8%)	2.1%
Discount: year high	(10.3%)	(10.7%)
Ongoing Charges Ratio for the year ended 31 August ^{1, 2}	0.70%	0.69%

¹ Alternative Performance Measures (see pages 78 and 79).

² Ongoing Charges (excluding finance costs and taxation) expressed as a percentage of the average net asset values for the year (prepared in accordance with guidance issued by the Association of Investment Companies ("AIC")). A definition of Ongoing Charges is in the Glossary of Terms on page 91.

Standardised Performance Total Return¹ (%)



Periods ended 31 August 2023.

¹ Includes reinvested income.

Contents



Chairman's Statement

Read more on pages 02 to 05



Portfolio Manager's Review

Read more on pages 06 to 08



Spotlight on the Top 10 Holdings

Read more on pages 09 and 10

Share Price as at 31 August

2023	267.50p
2022	260.50p
2021	308.50p

Strategy

Chairman's Statement	02
Portfolio Manager's Review	06
Spotlight on the Top 10 Holdings	09
Portfolio Listing	11
Distribution of the Portfolio	15
Ten Year Record	17
Summary of Performance Charts	18
Attribution Analysis	20
Strategic Report	21
ESG in the Investment Process at Fidelity International	29

Governance

Board of Directors	32
Directors' Report	33
Corporate Governance Statement	37
Directors' Remuneration Report	41
Statement of Directors' Responsibilities	44
Report of the Audit Committee	45

Financial

Independent Auditor's Report	48
Income Statement	55
Balance Sheet	56
Statement of Changes in Equity	57
Cash Flow Statement	58
Notes to the Financial Statements	59
Alternative Performance Measures	78
Financial Calendar	80

Information for Shareholders

Notice of Meeting	81
Shareholder Information	85
Data Protection	87
Alternative Investment Fund Manager's Disclosure	88
Glossary of Terms	90

Chairman's Statement



I have pleasure in presenting the Annual Report of Fidelity Special Values PLC for the year ended 31 August 2023.

Dean Buckley, Chairman

£951.0m

(As at 31 August 2023)
Shareholders' Funds

+5.9%

(Year ended 31 August 2023)
Net Asset Value per Ordinary Share
total return

+5.6%

(Year ended 31 August 2023)
Share Price total return

+5.2%

(Year ended 31 August 2023)
Benchmark total return

The global backdrop for the year under review remains unsettled. The prolonged Russia/Ukraine war has affected energy prices and global trade as well as contributing to an increasingly fractious geopolitical environment. More recently, the developing conflict in the Middle East has added concerns about the impact on oil prices and disruption to global supply chains and commodity markets. In the banking sector, the collapse of Credit Suisse in Europe and several regional banks in the US raised fears of systemic contagion not seen since the Global Financial Crisis of 2008/9. Fortunately, this did not materialise. The year under review has certainly been an interesting one for the UK, featuring three Prime Ministers and as many Chancellors of the Exchequer, seven months of double-digit CPI inflation and eight consecutive base rate increases. Against this background, the UK stock market delivered rather dull returns, with the FTSE All-Share Index ("Benchmark") delivering a total return of a little over 5% and the mid-cap and small-cap indices essentially flat year-on-year.

Your Company marginally outperformed the Benchmark, with a net asset value ("NAV") total return of 5.9% and a share price total return of 5.6% compared with the 5.2% return for the Benchmark. While this may look unremarkable at face value, it is notable given the significant differences between the Company's portfolio and the Benchmark. More than 80% of the Benchmark is accounted for by the largest stocks that make up the FTSE 100 Index (total return of 6.3% for the year), whereas your Company only has around a quarter of its holdings which are in the FTSE 100 Index. Overall, the weighting in small-cap and mid-cap companies hurt relative returns in the year under review, while stock selection in banks and financials, where the portfolio is overweight compared to the Benchmark, contributed most to the outperformance.

As your Portfolio Manager, Alex Wright, outlines in his report, while mid-cap and small-cap exposure detracted from returns relative to the Benchmark, these under-researched companies currently offer particularly attractively valued opportunities and have historically been a strong contributor to the Company's long-term outperformance. Over the ten years to 31 August 2023, the Company's NAV and share price total returns of 107.1% and 100.0% respectively are well ahead of the Benchmark total return of 70.6%. It is pleasing to see that Alex's long-term, value-focused strategy is still working well, even as the UK remains out of favour compared with other developed markets. He is well supported by Jonathan Winton, the co-Portfolio Manager, and by Fidelity's extensive investment research team.

Dividend

Dividends are an important component of long-term total returns and the Board's policy is to pay dividends twice

yearly in order to smooth the dividend payments for the Company's financial year.

The Company's revenue return for the year to 31 August 2023 was 10.67 pence per share (2022: 9.42 pence). An interim dividend of 2.53 pence per share (2022: 2.30 pence) was paid on 21 June 2023. The Board recommends a final dividend of 6.27 pence per share for the year ended 31 August 2023 (2022: 5.45 pence) for approval by Shareholders at the Annual General Meeting ("AGM") on 14 December 2023. The interim and final dividends (total of 8.80 pence) represent an increase of 1.05 pence (13.5%) over the 7.75 pence paid for the year ended 31 August 2022. The dividend will be payable on 10 January 2024 to Shareholders on the register at close of business on 1 December 2023 (ex-dividend date 30 November 2023).

The interim and final dividends for the year will provide Shareholders with a 14th consecutive year of sustained annual dividend growth. While income is not a core objective of your Company's investment strategy, we as a Board understand the value of being 'paid to wait' in times of more muted stock market performance.

Gearing

Gearing has remained relatively low during the year under review, beginning the period at 10.0% and ending at 6.5%. This reflects Alex's caution on the economic environment and, while he can find value in individual companies, there is a risk that the economic outlook may undermine their ability to deliver on forecast earnings. As he explains in his report, the current modest level of gearing means Alex has plenty of 'dry powder' that he can use to take advantage of any new investment opportunities in the coming year.

The Board has agreed with the Portfolio Manager that if he is able to find attractive opportunities in the market, then the Company's gearing should be allowed to rise. Combined with Alex's contrarian and value-focused investment philosophy, and also making effective use of the Company's structural advantages over its open-ended counterparts, this should continue to add value for Shareholders over the long-term.

It is the current intention of the Board that, in normal market conditions, the Portfolio Manager will maintain gearing in the range of 0% to 25%. The Company remained within these levels throughout the reporting year. The maximum level of gearing allowed is 40%.

Discount

Investment trust discounts have widened significantly in the past 18 months, and at the time of writing, the investment trust sector average discount was 18.7%. After several years of trading close to, or at a premium to NAV, your

Company has not been immune to this trend of widening discounts. However, in the year under review, the discount to NAV remained relatively stable, beginning the year at 8.5% and ending it at 8.8%. Under the Company's discount management policy, the Board seeks to maintain the discount in single digits in normal market conditions and during the year it briefly reached the 10% level before quickly reverting back into single digits. While a number of our peers have elected to repurchase shares this year because of the pressure of rising discounts, we have not undertaken any share repurchases, and as at 31 August 2023, your Company remains the only one in its UK All Companies peer group to be trading at a single-digit discount to NAV. The average discount for the other companies in the peer group was 12.3%.

The Board continues to monitor the level of the Company's discount closely and will take action when it believes to do so will be effective and to the benefit of Shareholders.

Raising our Profile

While the strength of Alex's investment performance over many years will have been a key factor in limiting the rise in the discount, your Board and Fidelity have also been working hard to raise the Company's profile with both retail and institutional investors. You may have seen Alex's articles in The Sunday Times or the Daily Express; his views on investing and the UK stock market attract a lot of media interest, and he also regularly appears at professional investor roadshows. A discount to NAV tends to arise when there are more sellers than buyers in the market, and we appreciate Alex's efforts to make the time to ensure that your Company remains high on investors' buy lists. External recognition is always a bonus, and we were delighted that in November 2022, the Company was named as the best UK All Companies Trust in the Investment Company of the Year awards from Investment Week magazine.

Board of Directors

As part of the Board's succession plan, Andy Irvine retired from the Board at the conclusion of the AGM on 14 December 2022, having served on the Board as a non-executive Director since 2010 and as Chairman since 2016, and we thank him for his significant contribution to the Company during this period. At the same time, I succeeded him as Chairman of the Board and Nigel Foster succeeded me as Senior Independent Director. There have been no other Board changes during the reporting year.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors are subject to annual re-election at the AGM on 14 December 2023. The Directors' biographies can be found on page 32, and, between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Chairman's Statement continued

Annual General Meeting

The Company's AGM is at 11.00 am on Thursday, 14 December 2023.

This is a great opportunity for Shareholders to hear Alex's thoughts at first hand and also to meet your Company's Directors. The Board and I hope to see as many of you as possible on the day. Details of the Company's AGM are on the next page.

Outlook

The UK equity market has remained distinctly out of favour in a global context, particularly when compared with the US. The macro headwinds are undeniable: inflation has been stubbornly higher than in other developed economies, interest rates have risen further and faster, and there is the added uncertainty of a General Election at some point in the next 15 months. However, there are also reasons for optimism: both core and headline inflation have begun to trend downwards, there is an increasing expectation that the Bank of England base rate is at or close to a cyclical peak and upward revisions to UK GDP numbers suggest a greater likelihood of avoiding recession. Added to this, the UK stock market remains at low valuation levels compared to other developed markets, reducing downside risk and providing the potential for significant upside when sentiment becomes more positive.

Against this backdrop, we are fortunate to have a Portfolio Manager with an active and contrarian approach to stock picking that allows him to seek out pockets of opportunity that may be under-appreciated by investors both at home and internationally.

As Alex points out in his Portfolio Manager Review, there are many UK-listed stocks that may be affected by the economic cycle in the short-term but which have compelling company-specific stories that can be important drivers of their share price over time. By favouring attractively valued businesses with lower levels of debt and the resilience to navigate the climate of uncertainty, we are confident that Alex's selections have the potential to deliver solid longer-term returns, as has been demonstrated in your Company's strong performance compared to the Benchmark over many years.

On a final note, it was very pleasing to see at the Company's AGM on 14 December 2022 that the Company's three-yearly continuation resolution was passed with 99.89% of votes in favour. We thank our Shareholders for this overwhelming vote of confidence in Alex's long-term approach and look forward to continuing to justify your support of Fidelity Special Values PLC in the years ahead.

Dean Buckley

Chairman

6 November 2023

Annual General Meeting – Thursday, 14 December 2023 at 11.00 am

The AGM of the Company will be held at 11.00 am on **Thursday, 14 December 2023** at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84.

For those shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Alex Wright, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that shareholders may have. Copies of his presentation can be requested by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered Shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and we will answer as many of these as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website **www.fidelity.co.uk/specialvalues**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website **https://web.lumiagm.com**.

Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **102-255-614**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions, but you will not be able to vote.

Portfolio Manager's Review



Question

How has the Company performed in the year to 31 August 2023?

Answer

The Company recorded a net asset value ("NAV") and share price total return of 5.9% and 5.6% respectively, which was slightly ahead of the FTSE All-Share Index (Benchmark) return of 5.2%. The positive returns conceal what proved to be another volatile period as markets grappled with political uncertainties at home, culminating in last October's mini-budget debacle, persistent weaker economic indicators, stubbornly elevated inflation, and sharply rising interest rates.

In an environment of rising interest rates, our overweight exposure to banks was the largest contributor to performance, given the low starting point for valuations and the meaningful impact of higher rates on bank profits. The largest individual contributors were AIB Group, the leading personal bank and mortgage provider in Ireland, UK-listed TBC Bank Group, the largest banking group in Georgia, and Kaspi.kz, the dominant consumer finance, e-commerce and payments platform in Kazakhstan.

Despite the rising cost of living, retailer Marks & Spencer Group bucked the trend, reporting strong trading in clothing and food, taking meaningful market share in both areas. Similarly, the resurgence in travel demand after the COVID pandemic saw the share prices of low-cost airline Ryanair Holdings and passport photo booth operator ME Group International (formerly known as Photo-Me International) recover strongly. Outsourcer Mitie Group reported record full-year revenues as it posted an increase in operating profits, boosted by contract wins, renewals and acquisitions. It is now a much-improved business, with a healthier balance sheet, simplified structure and huge investments in systems and technology, allowing it to win more work at better margins.

We make a concerted effort to look for opportunities across the market, and our resulting bias to small- and mid-cap companies, which account for about 60% of the portfolio, hurt relative returns as they were seen as more vulnerable to economic weakness. However, this is an under-researched area where we continue to find particularly attractively valued opportunities.

Sector-wise, our oil and gas positions proved a drag on performance, with our holding in North Sea producer Ithaca Energy the largest detractor. The stock was affected by the introduction of a windfall tax, a policy that will hurt North Sea investments generally, and largely undermine the UK's energy security goal. The Government is now looking to partially reverse this decision.

Government outsourcer Serco Group was a surprising underperformer given that it has delivered strong profits and recently upgraded its full year earnings forecast. It is a well-run business that is diversified both geographically and services-wise and should be capable of producing inflation protected organic growth with the potential for some margin expansion over the medium-term. Its exposure to defence and immigration contracts is particularly attractive in the current political environment, and its strong balance sheet provides mergers and acquisitions (“M&A”) and buyback optionality.

Drink distributor C&C Group suffered from a slow recovery in pub demand post-COVID, rising costs and problems with implementing a new IT system. The market seems to be assuming those issues are permanent, but we believe that C&C has an unusually dominant position as one of the only national distributors and should be able to gradually pass on price increases and overcome its operational challenges to deliver strong profitability growth over the medium-term as margins improve towards historical levels.

Question

High inflation and the cost-of-living crisis persist. How has this affected the Company’s portfolio this year?

Answer

Overall, we have been pleased by the earnings resilience of the holdings in the Company’s portfolio. Last year, we materially reduced our consumer exposure, selling our holdings in domestic housebuilders and cutting exposure to areas more susceptible to a demand slowdown, such as big-ticket items and advertising. These decisions contributed positively to this year’s performance given the profit warnings in those industries, and with the housing market experiencing a marked slowdown. However, the profit warnings have not been as widespread as feared and in general the consumer has proved relatively resilient, helping Marks & Spencer, travel companies and airlines to beat earnings expectations. This reflects economic indicators that have been weak but not excessively so.

Question

With interest rates at their highest level for 15 years, how will this affect markets and the Company’s current portfolio?

Answer

Rising interest rates have led to a meaningful de-rating in some areas of the market where business models are heavily dependent on debt, such as real estate and infrastructure, and have caused significant weakness in the UK housing market. These are industries where we had very low exposure.

Conversely, higher interest rates have benefited sectors such as banks and life insurers, which we favour, and which had been shunned since the global financial crisis. More generally, the combination of higher rates and the weaker economic environment is likely to remain challenging in the near-term for corporates and consumers who need to refinance their debts. As a result, we remain selective and favour companies with lower levels of debt and the resilience to navigate the uncertainty.

M&A activity has been prevalent over recent years given cheap financing and attractive valuations on offer in the UK. Holdings that exited the Company’s portfolio as a result of successful bids over the past 12 months include international power producer ContourGlobal, consultancy firm RPS Group and teleradiology services provider Medica Group. The jump in funding costs may deter some bids, especially at the larger-cap end of the market, but smaller-sized deals should be more manageable and valuations in smaller-cap companies are more appealing.

Question

Value stocks have outperformed growth stocks over the last three years, do you think this will continue?

Answer

Over the past decade, we have experienced a prolonged period of subdued inflation, low interest rates and modest economic growth. This has favoured growth companies at the expense of those that we favour – unloved stocks with lower downside risk. While this trend began to reverse towards the end of 2020, value stocks still have significant ground to catch up.

The current market environment of higher and stickier inflation, rising interest rates and economic volatility is more aligned to the long-term pattern seen over the last 100 years. History suggests that over the long-term value tends to outperform, given generally higher discount rates and a reversion to the mean. We, therefore, believe that we are in the very early stages of a long-term rally in value stocks.

Question

How is the UK market valued compared to the rest of the world? Does the UK still present a good opportunity for investors?

Answer

UK equities are pricing in extreme pessimism and, as a result, trade at a significant discount to other markets. While the near-term outlook is uncertain and corporate earnings could still disappoint in the UK, this is also true of other markets such as the US, where valuations are meaningfully more expensive.

Portfolio Manager's Review continued

To provide some context, at the time of writing (September 2023), our analysts estimate that the UK equity market (FTSE All-Share Index) trades on 10.9x 2024 earnings; continental European equities (MSCI Europe ex UK Index) trades on 13.4x earnings and the US (S&P 500 Index) trades on 18.6x earnings. Our portfolio, which trades on only 7.7x earnings, is at the very bottom of the valuation range seen over my ten year tenure, despite offering better sales and profit growth prospects, and carrying significantly less debt. When considering that the Company's shares as at 31 August 2023 were available at a discount of 8.8% to the NAV, we believe that this could be a great investment opportunity on a three to five year view.

Question

The Company's portfolio is overweight in banking and life insurers. Why do you prefer these sectors currently?

Answer

Financials form the biggest part of the Company's portfolio, with banks and life insurers comprising 16% and 8% respectively of the portfolio. Higher interest rates have enabled banks to significantly improve their profitability at a time when earnings in many industries are under pressure. Yet many investors continue to avoid banks because they are scarred from the 2008 global financial crisis. As a result, banks trade on attractive valuations. UK and Irish banks have become much higher quality businesses since the changes to the regulatory environment over the past decade. They have strengthened their balance sheets, trimmed bloated cost bases and withdrawn from riskier lending.

Our holdings in the sector are diversified both geographically and through business models, with idiosyncratic factors driving their growth. For example, our largest holding is AIB Group which is not only an interest rate story but also benefits from an improvement in Ireland's banking industry, where the number of competing groups has recently shrunk from five to three. The rising interest rate environment is also positive for life insurers, which benefit from an acceleration in pension fund re-risking.

While our holdings in these two sectors remain attractively valued, we have taken some profits following the strong returns achieved over the past year. We have redeployed some of the proceeds into non-life insurance companies, adding to our modest exposure (c. 4% of the portfolio at the time of writing) given the improving pricing environment and moderating cost of insurance claims.

Question

What do you think are the biggest risks and opportunities for the next 12 months?

Answer

The biggest risk is a recession and its impact on corporate earnings. While there is increasing talk of a soft landing, there is considerable historical evidence on the impact of monetary tightening to keep us cautious on company prospects in the near-term. In this uncertain environment, we favour companies with lower levels of debt and the resilience to navigate the uncertainty. We are wary of stocks where fundamentals and margins have been strong, and a deterioration is not priced in.

While we consider the current macroeconomic backdrop when we forecast financials for our holdings and potential new ideas, we feel our time is best spent on researching stocks from a bottom-up perspective and taking a long-term view of their prospects. Many of these companies will be affected by the economic cycle but have compelling company specific stories that can be important drivers of their share price over time.

Given the nature of the post-pandemic environment, there are companies that have already exhibited fundamental weakness resembling a recessionary scenario, and while corporate earnings have generally performed better than expected, there have been profit warnings in the small- and mid-cap companies' space. Many of these companies have seen their earnings rebased and trade on low valuations with limited downside and significant upside once the environment normalises. This is starting to present us with some interesting opportunities, and we have begun to build positions in some of these stocks, particularly in smaller companies.

Nonetheless, our caution is reflected in the Company's modest gearing. While valuations are attractive and we are finding new ideas, we are conscious of the near-term uncertainty and want to retain some dry powder to take advantage of any forced sellers and new opportunities.

Alex Wright

Portfolio Manager
6 November 2023

Spotlight on the Top 10 Holdings

as at 31 August 2023

(Based on Asset Exposure expressed as a percentage of Net Assets. Asset Exposure comprises the value of direct equity investments plus market exposure to derivative instruments.)

Industry Banks



AIB Group

% of Net Assets

5.6%

AIB Group is the top personal bank and mortgage provider in Ireland and one of three major Irish domestic banks, with a focus on residential mortgage lending (circa 50% of loans), as well as small and medium-sized (SME)/commercial/corporate lending.

Industry Tobacco



Imperial Brands

% of Net Assets

4.1%

Imperial Brands is the 4th largest listed tobacco company globally. It is developing a range of less harmful products and making good progress both in the UK and in improving its execution and market share in the traditional tobacco business.

Industry Pharmaceuticals & Biotechnology



Roche Holdings

% of Net Assets

3.9%

Roche Holdings is a leading global healthcare company operating in pharmaceuticals and diagnostics. It has a growing pipeline with early stage immune-oncology assets. It is the sector leader in terms of innovation and has the strongest pipeline and research and development (R&D) hub in the sector. Recent notable development successes include its expansion into multiple sclerosis and adopting novel antibody technologies.

Industry Industrial Support Services



DCC

% of Net Assets

3.6%

DCC is a global distributor of liquefied petroleum gas (LPG), medical and technology products with proven ability to build scale in fragmented sectors through a disciplined approach to M&A. It has a high-quality business and a long track record of generating attractive returns.

Industry Life Insurance



Phoenix Group Holdings

% of Net Assets

3.4%

Phoenix Group Holdings, a leading UK insurer, is a well-run company with an experienced management team and strong regulatory relationships. It dominates the UK closed fund consolidator market where it has a proven track record of successful M&A and synergy delivery.

Spotlight on the Top 10 Holdings continued

as at 31 August 2023

(Based on Asset Exposure expressed as a percentage of Net Assets. Asset Exposure comprises the value of direct equity investments plus market exposure to derivative instruments.)

Industry Life Insurance



Aviva

% of Net Assets **3.3%**

Aviva is a composite insurer that provides life and non-life insurance and asset management services. It is one of a number of insurers with strong positions in pensions and retirement income that are held in the portfolio. The life insurance sector offers an attractive combination of cheap valuations, attractive dividend yields, strong demand/supply fundamentals and growing earnings.

Industry Aerospace & Defense



Babcock International Group

% of Net Assets **2.9%**

Babcock International Group is a UK centric provider of engineering and support services largely to the defense sector, undergoing a turnaround under new management. Disposals have left its balance sheet in a much stronger position, whilst organic growth has been boosted by a number of new contracts and generally higher defence expenditure.

Industry Industrial Support Services



Mitie Group

% of Net Assets **2.8%**

Mitie Group is a diversified UK outsourcer undergoing a turnaround under a new CEO. The business showed its resilience through COVID and has subsequently showed good organic growth with an improved balance sheet.

Industry Oil, Gas & Coal



OMV

% of Net Assets **2.8%**

OMV is an Austrian integrated oil company, which continues to invest in its core businesses of oil, gas and petrochemicals. The outlook for its gas business is particularly bright as gas prices are likely to remain structurally higher as a consequence of the war in Ukraine. It is a highly cash generative business.

Industry Banks



NatWest Group

% of Net Assets **2.4%**

NatWest Group has made significant strides in repositioning itself. It is now a smaller, mostly UK focused, bank with good retail and commercial banking franchises, a solid balance sheet, a high-quality deposit base and a well-diversified loan book.

Portfolio Listing

as at 31 August 2023

The Asset Exposures shown below and on pages 12 and 13 measure exposure to market price movements as a result of owning shares, bonds and derivative instruments. The Fair Value is the actual value of the portfolio as reported in the Balance Sheet. Where a contract for difference ("CFD") is held, the Fair 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.

	Asset Exposure		Fair Value
	£'000	% ¹	£'000
Long Exposures - shares unless otherwise stated			
AIB Group (corporate bond and long CFD) - Banks	53,398	5.6	14,231
Imperial Brands - Tobacco	38,822	4.1	38,822
Roche Holdings - Pharmaceuticals & Biotechnology	36,842	3.9	36,842
DCC - Industrial Support Services	34,665	3.6	34,665
Phoenix Group Holdings - Life Insurance	32,564	3.4	32,564
Aviva - Life Insurance	31,574	3.3	31,574
Babcock International Group - Aerospace & Defense	28,046	2.9	28,046
Mitie Group - Industrial Support Services	27,095	2.8	27,095
OMV - Oil, Gas & Coal	25,598	2.8	25,598
NatWest Group - Banks	22,628	2.4	22,628
Ryanair Holdings (shares and long CFD) - Travel & Leisure	22,570	2.4	3,814
Coats Group - General Industrials	22,259	2.3	22,259
Serco Group (long CFD) - Industrial Support Services	20,714	2.2	433
Glenevagh Properties (shares and long CFDs) - Household Goods & Home Construction	19,962	2.1	17,396
Barclays - Banks	19,227	2.0	19,227
Spire Healthcare Group - Health Care Providers	18,659	2.0	18,659
Standard Chartered - Banks	18,254	1.9	18,254
Keller Group (shares and long CFD) - Construction & Materials	17,136	1.8	11,429
Marks & Spencer Group - Retailers	17,082	1.8	17,082
C&C Group (shares and long CFD) - Beverages	16,456	1.7	13,828
Conduit Holdings - Non-Life Insurance	16,378	1.7	16,378
John Wood Group (shares and long CFD) - Oil, Gas & Coal	14,979	1.6	12,569
Direct Line Insurance Group - Non-Life Insurance	14,708	1.5	14,708
Hikma Pharmaceuticals - Pharmaceuticals & Biotechnology	14,670	1.5	14,670
Victrex - Chemicals	14,470	1.5	14,470
Sanofi (long CFD) - Pharmaceuticals & Biotechnology	14,386	1.5	228
Ericsson - Telecommunications Equipment	14,175	1.5	14,175
Hellenic Telecommunications Organisation - Telecommunications Service Providers	13,967	1.5	13,967
Close Brothers Group - Banks	13,194	1.4	13,194
Bakkavor Group - Food Producers	12,519	1.3	12,519
Ithaca Energy - Oil, Gas & Coal	12,479	1.3	12,479
Redde Northgate - Industrial Transportation	12,224	1.3	12,224
Reckitt Benckiser Group - Personal Care, Drug & Grocery Stores	11,896	1.3	11,896
ME Group International - Leisure Goods	11,726	1.2	11,726
British American Tobacco - Tobacco	11,174	1.2	11,174

Portfolio Listing continued

	Asset Exposure		Fair Value
	£'000	% ¹	£'000
Energiean – Oil, Gas & Coal	11,121	1.2	11,121
Sherborne Investors Guernsey (shares and long CFDs) – Investment Banking & Brokerage Services	10,613	1.1	6,398
Just Group – Life Insurance	10,562	1.1	10,562
TBC Bank Group – Banks	10,497	1.1	10,497
Kaspi.kz – Banks	10,319	1.1	10,319
Smart Metering Systems – Industrial Support Services	9,781	1.0	9,781
National Grid – Gas, Water & Multi-Utilities	9,135	1.0	9,135
Halfords Group – Retailers	9,067	1.0	9,067
Lancashire Holdings – Non-Life Insurance	8,851	0.9	8,851
Essentra (shares and long CFDs) – Industrial Support Services	8,419	0.9	5,945
TT Electronics (shares and long CFD) – Technology Hardware & Equipment	7,702	0.8	7,618
Origin Enterprises (shares and long CFD) – Food Producers	7,390	0.8	6,816
IG Design Group – Personal Care, Drug & Grocery Stores	7,350	0.8	7,350
Finsbury Food Group – Food Producers	7,062	0.7	7,062
Dowlais Group – Automobiles & Parts	6,718	0.7	6,718
Endeavour Mining (corporate bond) – Precious Metals & Mining	6,651	0.7	6,651
GSK – Pharmaceuticals & Biotechnology	6,512	0.7	6,512
Wizz Air Holdings – Travel & Leisure	6,407	0.7	6,407
Kenmare Resources (long CFDs) – Industrial Metals & Mining	6,347	0.7	(289)
Morgan Advanced Materials – Electronic & Electrical Equipment	6,245	0.7	6,245
PZ Cussons – Personal Care, Drug & Grocery Stores	5,843	0.6	5,843
West African Resources – Precious Metals & Mining	5,745	0.6	5,745
Wentworth Resources (shares and long CFDs) – Oil, Gas & Coal	5,719	0.6	4,615
H&T Group – Finance & Credit Services	5,536	0.6	5,536
PetroTal – Oil, Gas & Coal	5,467	0.6	5,467
Elementis – Chemicals	5,166	0.5	5,166
Cairn Homes (shares and long CFD) – Household Goods & Home Construction	5,083	0.5	2,558
Andrada Mining – Industrial Metals & Mining	5,006	0.5	5,006
BW Energy – Oil, Gas & Coal	4,842	0.5	4,842
Ten Entertainment Group – Travel & Leisure	4,708	0.5	4,708
SSE – Electricity	4,650	0.5	4,650
James Fisher & Sons – Industrial Transportation	4,536	0.5	4,536
Jadestone Energy (shares and long CFDs) – Oil, Gas & Coal	4,390	0.5	3,438
Norcros – Construction & Materials	3,965	0.4	3,965
CentralNic Group – Software & Computer Services	3,909	0.4	3,909
XPS Pensions Group – Investment Banking & Brokerage Services	3,554	0.4	3,554
Central Asia Metals (long CFD) – Industrial Metals & Mining	3,042	0.3	73
Senior – Aerospace & Defense	3,000	0.3	3,000
Future – Media	2,774	0.3	2,774

	Asset Exposure		Fair Value
	£'000	% ¹	£'000
Gemfields Group - Precious Metals & Mining	2,468	0.3	2,468
Capital - Industrial Metals & Mining	2,385	0.3	2,385
NewRiver REIT - Real Estate Investment Trusts	2,347	0.2	2,347
Alpha Group International - Investment Banking & Brokerage Services	2,263	0.2	2,263
Shaftesbury Capital (convertible bond) - Real Estate Investment Trusts	2,049	0.2	2,049
Base Resources - Industrial Metals & Mining	2,037	0.2	2,037
Rolls-Royce Holdings - Aerospace & Defense	2,026	0.2	2,026
Watkin Jones - Household Goods & Home Construction	1,952	0.2	1,952
Permanent TSB Group Holdings (long CFD) - Banks	1,888	0.2	(115)
Smiths News - Industrial Support Services	1,791	0.2	1,791
Orezone Gold - Precious Metals & Mining	1,703	0.2	1,703
Prax Exploration & Production - Oil, Gas & Coal	1,599	0.2	1,599
Secure Trust Bank - Banks	1,485	0.1	1,485
Jubilee Metals Group - Precious Metals & Mining	1,104	0.1	1,104
Ascential - Software & Computer Services	929	0.1	929
Moonpig Group - Retailers	796	0.1	796
Staffline Group - Industrial Support Services	786	0.1	786
Atlantic Lithium - Industrial Metals & Mining	772	0.1	772
Worsley Investors - Closed End Investments	656	0.1	656
Brickability Group - Construction & Materials	592	0.1	592
Hostmore (shares and long CFD) - Travel & Leisure	434	-	390
TVC Holdings - Unlisted Investment	254	-	254
Marwyn Value Investors - Closed End Investments	242	-	242
Zegona Communications - Telecommunications Service Providers	27	-	27
McColl's Retail Group - Personal Care, Drug & Grocery Stores	-	-	-
Studio Retail Group - Retailers	-	-	-
Unbound Group (shares and long CFD) - Open End & Miscellaneous Investment Vehicles	-	-	-
Gross Asset Exposure (101 holdings)	1,012,765	106.5	
Portfolio Fair Value			883,512

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

See the next page for details of the Fair Value and Asset Exposure of Investments.

Portfolio Listing continued

Fair Value and Asset Exposure of Investments as at 31 August 2023

	Fair Value £'000	2023		2022	
		Asset Exposure £'000	% ¹	Asset Exposure £'000	% ¹
Investments (Note 10 – see page 66)	882,692	882,692	92.8	835,672	90.6
Long CFDs (Note 11 – see page 67)	820	130,073	13.7	178,898	19.4
	883,512	1,012,765	106.5	1,014,570	110.0
Cash at bank ²	2,028	(127,225)	(13.4)	(186,056)	(20.2)
Fidelity Institutional Liquidity Fund	57,432	57,432	6.0	78,436	8.5
Other net current assets (excluding derivative assets and liabilities)	8,077	8,077	0.9	15,649	1.7
Shareholders' Funds	951,049	951,049	100.0	922,599	100.0

The Company uses gearing through the use of long CFD positions. Gross gearing as at 31 August 2023 was 6.5% (2022: 10.0%) – see Note 18 on page 77 for further details.

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

² The asset exposure column for cash at bank has been adjusted to assume the Company traded direct holdings rather than exposure being gained through long CFD positions. The amount is derived by taking the cost of the shares underlying the long CFDs when the contracts were opened less the cash at bank balance at the year end.

Distribution of the Portfolio

as at 31 August 2023

The table below and on the next page details the Distribution of the Portfolio based on Asset Exposure which measures the exposure of the portfolio to market price movements as a result of owning shares and derivative instruments.

Shares, corporate bonds and derivative instruments	UK ¹ %	Overseas ² %	2023 Asset Exposure ³ %	Index ⁴ %	2022 Asset Exposure ³ %
Financials					
Banks	14.2	1.7	15.9	9.1	14.4
Life Insurance	7.8	-	7.8	2.4	10.0
Non-Life Insurance	4.1	-	4.1	0.8	1.8
Investment Banking & Brokerage Services	0.6	-	0.6	2.6	1.9
Finance & Credit Services	0.6	-	0.6	1.7	1.2
Closed End Investments	1.3	-	1.3	6.1	0.3
	28.6	1.7	30.3	22.7	29.6
Industrials					
Industrial Support Services	10.8	-	10.8	3.5	14.8
Aerospace & Defense	3.4	-	3.4	2.7	3.4
Construction & Materials	2.3	-	2.3	1.8	2.5
General Industrials	2.3	-	2.3	1.6	0.9
Industrial Transportation	1.8	-	1.8	1.2	1.5
Electronic & Electrical Equipment	0.7	-	0.7	1.0	1.7
Industrial Engineering	-	-	-	0.7	-
	21.3	-	21.3	12.5	24.8
Consumer Staples					
Tobacco	5.3	-	5.3	3.3	3.7
Food Producers	2.8	-	2.8	0.6	2.3
Personal Care, Drugs & Grocery Stores	2.7	-	2.7	7.7	1.5
Beverages	1.8	-	1.8	3.5	2.2
	12.6	-	12.6	15.1	9.7
Consumer Discretionary					
Travel & Leisure	1.2	2.4	3.6	3.3	4.6
Retailers	2.9	-	2.9	1.8	3.5
Household Goods & Home Construction	2.9	-	2.9	1.0	2.4
Leisure Goods	1.2	-	1.2	0.2	0.6
Automobiles & Parts	0.7	-	0.7	0.1	-
Media	0.3	-	0.3	3.5	2.5
Consumer Services	-	-	-	1.5	-
Personal Goods	-	-	-	0.5	-
	9.2	2.4	11.6	11.9	13.6

Distribution of the Portfolio continued

as at 31 August 2023

Shares, corporate bonds and derivative instruments	UK ¹ %	Overseas ² %	2023 Asset Exposure ³ %	Index ⁴ %	2022 Asset Exposure ³ %
Health Care					
Pharmaceuticals & Biotechnology	2.2	5.4	7.6	10.7	7.3
Health Care Providers	2.0	-	2.0	-	2.2
Medical Equipment & Services	-	-	-	0.6	-
	4.2	5.4	9.6	11.3	9.5
Energy					
Oil, Gas & Coal	5.7	3.2	8.9	11.3	8.1
	5.7	3.2	8.9	11.3	8.1
Basic Materials					
Industrial Metals & Mining	1.9	0.2	2.1	6.1	2.3
Chemicals	2.0	-	2.0	0.6	1.0
Precious Metals & Mining	0.8	1.1	1.9	0.2	1.9
	4.7	1.3	6.0	6.9	5.2
Telecommunications					
Telecommunications Service Providers	-	1.5	1.5	1.2	1.9
Telecommunications Equipment	-	1.5	1.5	-	1.8
	-	3.0	3.0	1.2	3.7
Utilities					
Gas, Water & Multi-utilities	1.0	-	1.0	2.6	0.6
Electricity	0.5	-	0.5	0.9	3.5
Waste & Disposal Services	-	-	-	-	0.5
	1.5	-	1.5	3.5	4.6
Technology					
Technology Hardware & Equipment	0.8	-	0.8	-	0.3
Software & Computer Services	0.5	-	0.5	1.2	0.8
	1.3	-	1.3	1.2	1.1
Real Estate					
Real Estate Investment Trusts	0.4	-	0.4	2.0	-
Real Estate Investment & Services	-	-	-	0.4	0.1
	0.4	-	0.4	2.4	0.1
Total Asset Exposure	89.5	17.0	106.5	100.0	110.0
Total Asset Exposure – 2022	96.1	13.9			110.0

1 Comprises shares listed on a UK exchange, UK derivatives (classified by reference to the UK exchange of the underlying equity) and UK bonds (classified by country of risk).

2 Comprises shares listed on an overseas exchange, overseas derivatives (classified by reference to the overseas exchange of the underlying equity) and overseas bonds (classified by country of risk).

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

4 The FTSE All-Share Index which is the Company's Benchmark.

Ten Year Record

as at 31 August 2023

As at 31 August	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Capital										
Shareholders' funds (£m)	951.0	922.6	954.1	579.5	698.7	725.0	673.5	578.3	537.3	519.2
NAV per ordinary share (p) ^{1,2}	293.44	284.67	304.79	199.81	252.99	271.98	254.63	217.94	201.61	192.29
Share price (p) ¹	267.50	260.50	308.50	181.60	251.50	276.00	246.50	196.25	197.50	180.20
(Discount)/premium to NAV (%) ²	(8.8)	(8.5)	1.2	(9.1)	(0.6)	1.5	(3.2)	(10.0)	(2.0)	(6.3)
Revenue										
Revenue return per ordinary share (p) ^{1,2}	10.67	9.42	7.22	4.81	8.65	5.70	5.33	4.15	3.39	3.10
Dividends per ordinary share (p) ¹	8.80	7.75	6.67	5.80	7.25 ³	5.00	4.60	3.70	3.35	3.30
Ongoing charges ratio (costs of running the Company) (%) ²	0.70	0.69	0.76	0.98	0.97	1.04	1.06	1.10	1.10	1.12
Gearing²										
Gross gearing (%) ⁴	6.5	10.0	14.6	14.0	2.5	10.4	9.1	15.5	23.8	21.0
Net gearing (%) ⁵	6.5	10.0	14.6	14.0	2.5	6.6	0.9	7.9	9.4	6.4
Performance Total Returns										
NAV (%) ²	+5.9	-4.4	+56.2	-18.5	-4.9	+8.7	+19.1	+9.9	+7.3	+10.7
Share price (%) ²	+5.6	-13.5	+73.8	-25.4	-6.9	+14.0	+28.1	+1.1	+12.4	+9.2
Benchmark (%)	+5.2	+1.0	+26.9	-12.6	+0.4	+4.7	+14.3	+11.7	-2.3	+10.3

1 Figures prior to 2015 have been restated to reflect the five for one sub-division of ordinary shares which took place on 29 June 2015.

2 Alternative Performance Measures.

3 Includes a special dividend of 1.50 pence per ordinary share.

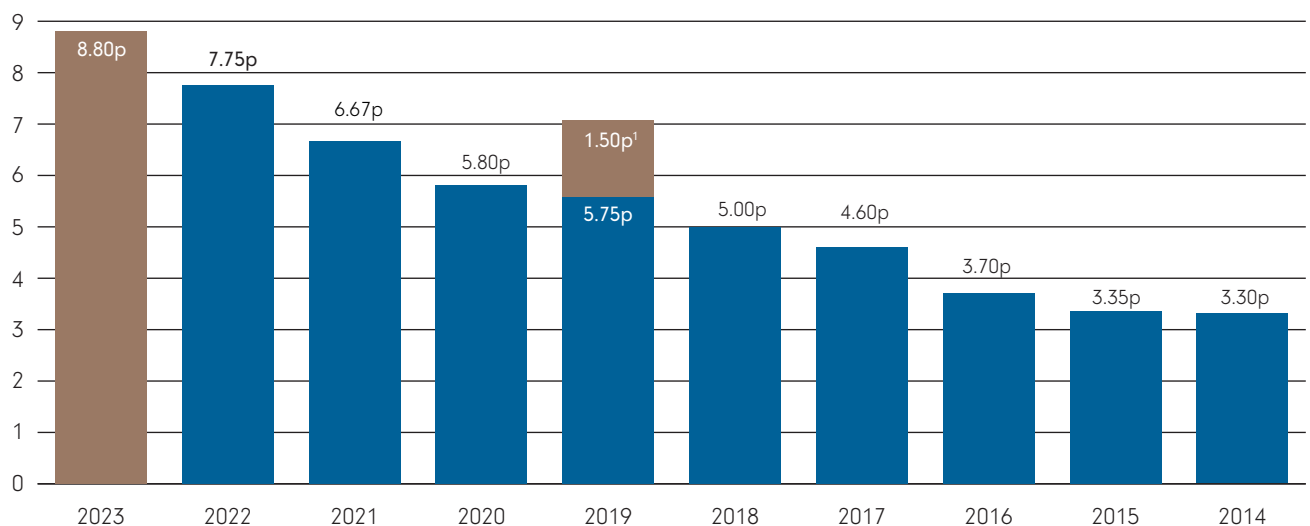
4 Gross gearing is the total of: long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds.

5 Net gearing is the total of: long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

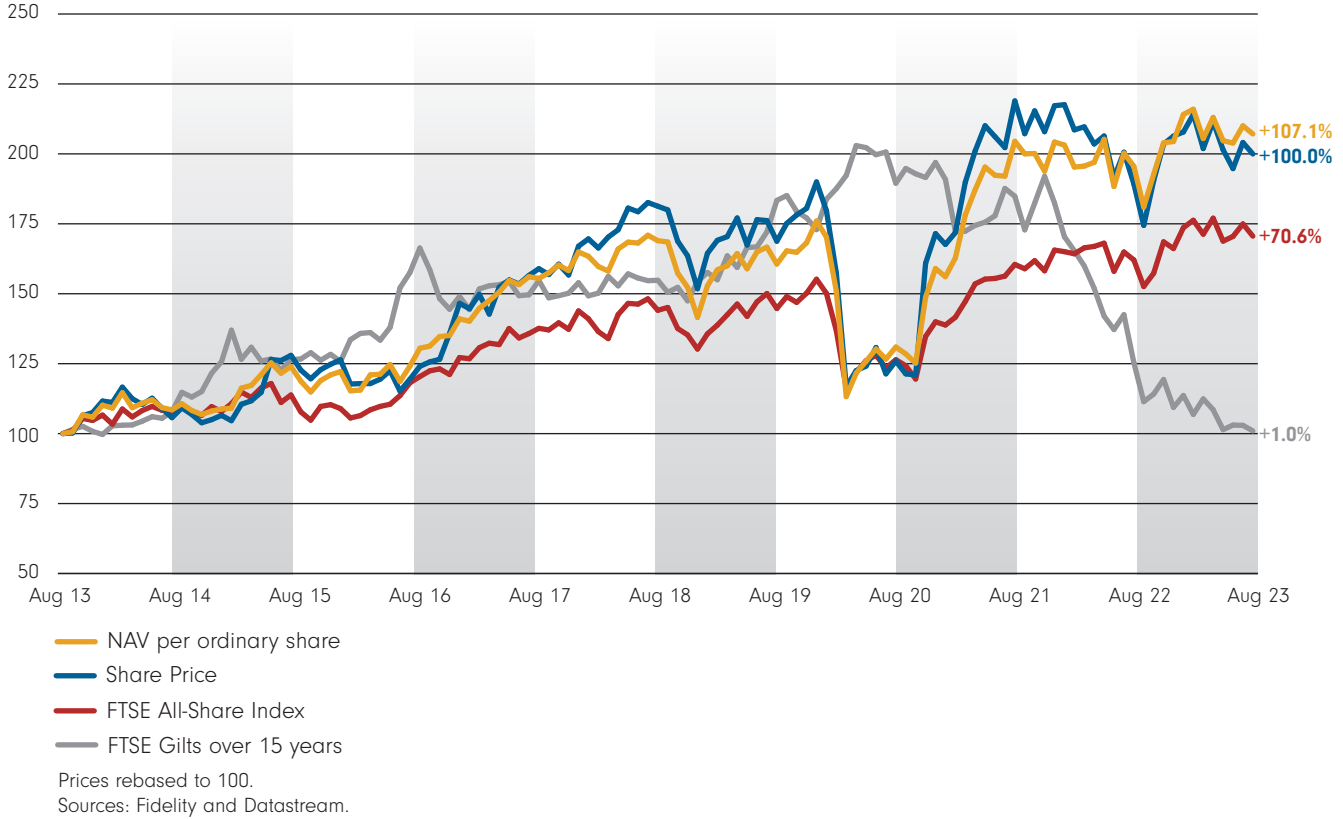
Dividends per ordinary share for ten years to 31 August 2023



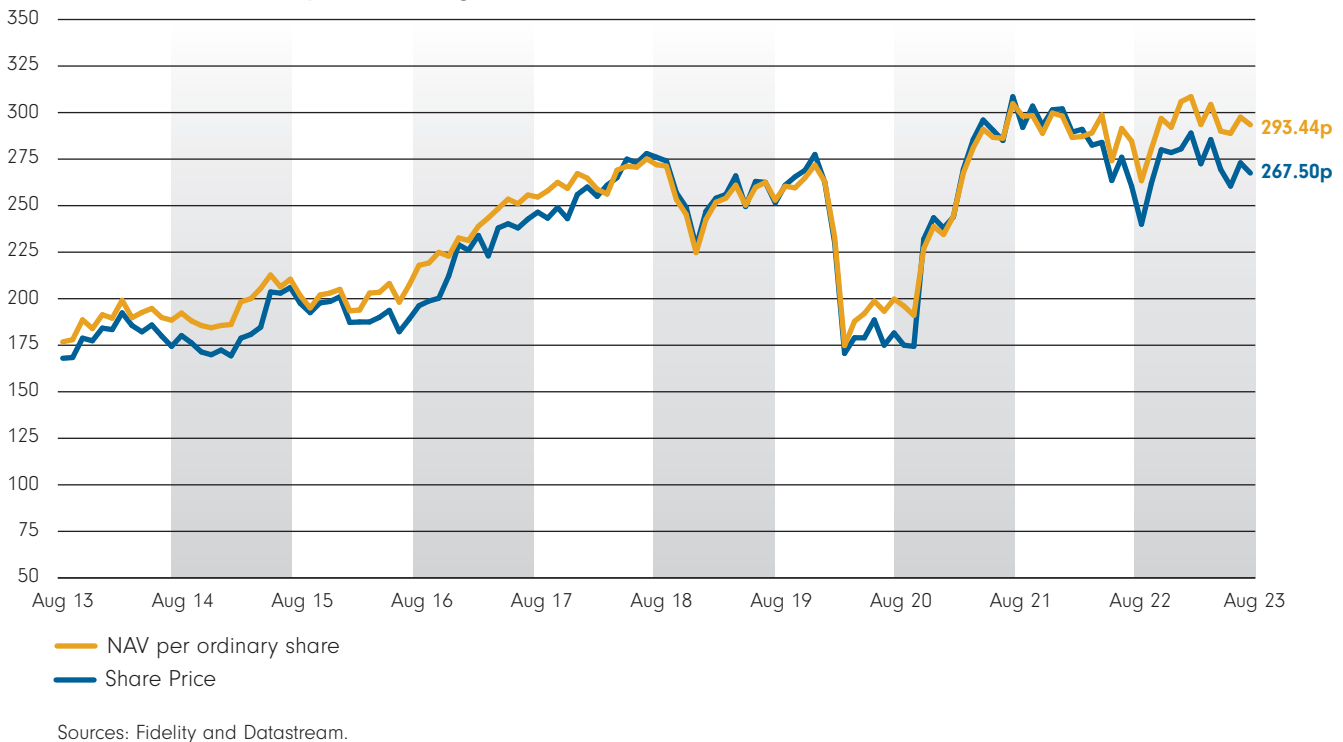
1 Special dividend from the increased income generated for the year ended 31 August 2019.

Summary of Performance Charts

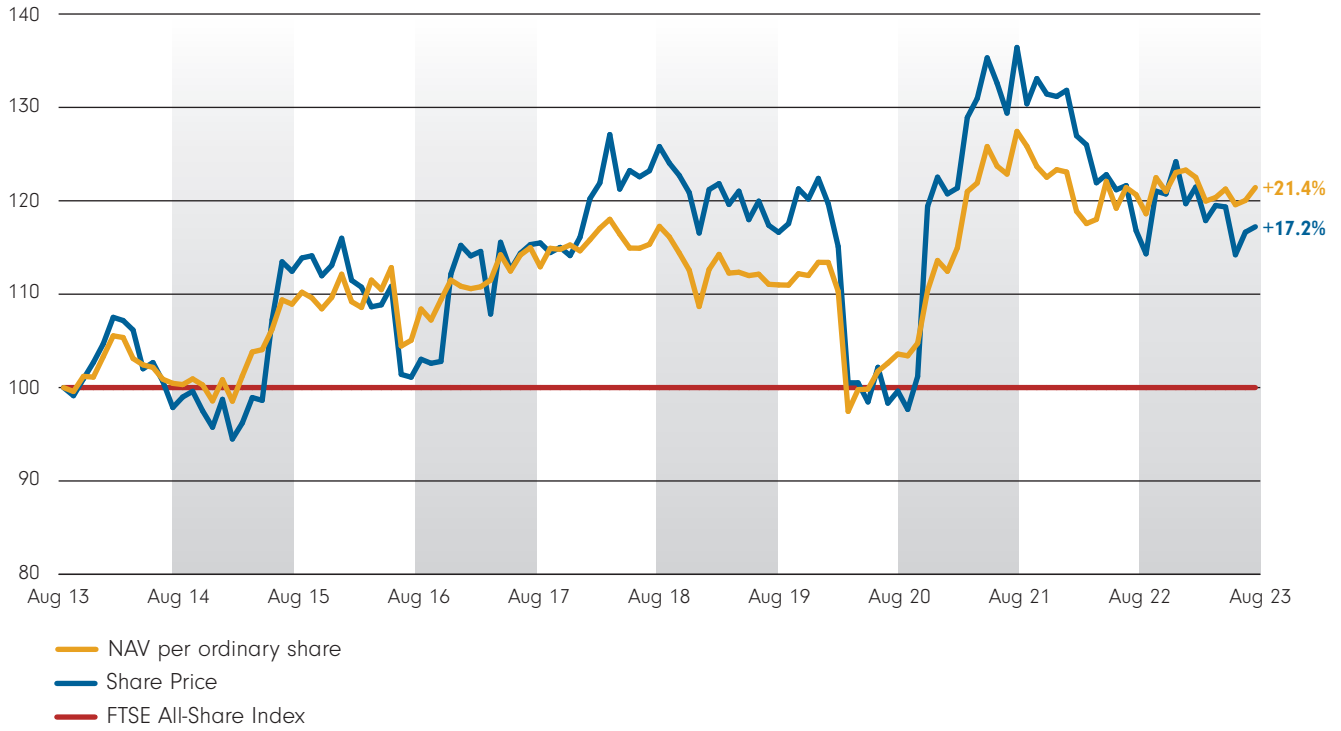
Total return performance for ten years to 31 August 2023



NAV and share price for ten years to 31 August 2023



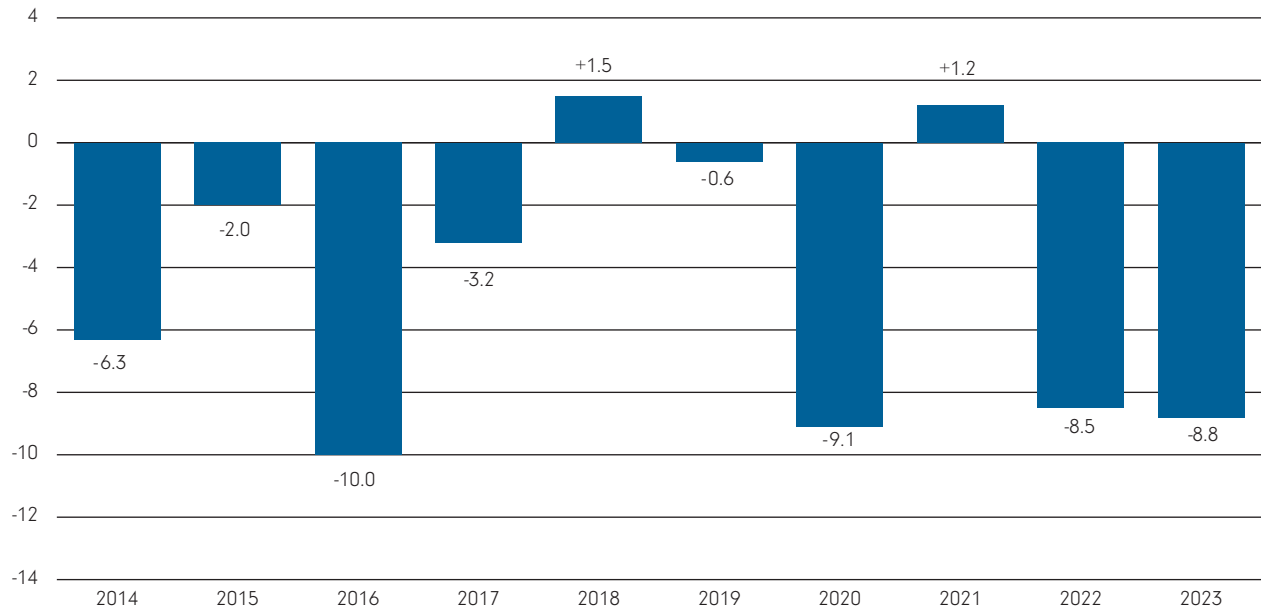
Total return performance relative to the Benchmark for ten years to 31 August 2023



— NAV per ordinary share
— Share Price
— FTSE All-Share Index

Prices rebased to 100.
Sources: Fidelity and Datastream.

Share price (discount)/premium to NAV for ten years to 31 August 2023 (%)



Source: Fidelity.

Attribution Analysis

Analysis of change in NAV total return for the year ended 31 August 2023		%
Impact of:		
Index		+5.2
Stock selection		+2.2
Gearing		-1.0
Operational Costs		-0.7
Cash		+0.2
NAV total return for the year ended 31 August 2023		+5.9

Sector contributors and detractors as at 31 August 2023 (in absolute terms)

Top 5 Sector Contributors	%	Bottom 5 Sector Detractors	%
Banks	+3.4	Telecommunications Equipment	-0.6
Retailers	+1.4	Life Insurance	-0.5
Pharmaceuticals & Biotechnology	+1.0	Precious Metals & Mining	-0.5
Non-Life Insurance	+0.8	Beverages	-0.4
Travel & Leisure	+0.7	Oil, Gas & Coal	-0.2

Stock contributors and detractors as at 31 August 2023 (in absolute terms)

Top 5 Stock Contributors	%	Bottom 5 Stock Detractors	%
AIB Group	+2.2	Ithaca Energy	-0.8
Mitie Group	+1.0	Ericsson	-0.6
Marks & Spencer Group	+1.0	Serco Group	-0.5
Sanofi	+0.7	C&C Group	-0.4
Conduit Holdings	+0.7	Roche Holdings	-0.4

Source: Fidelity.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8 form part of the Strategic Report.

Business and Status

The Company carries on business as an investment company and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

Objective

The Company's objective is to achieve long-term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.

Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of special situation investments, consisting primarily of UK listed companies. It has the benefit of investing up to 20% of the portfolio in listed companies on overseas exchanges in order to enhance Shareholder returns. As an investment company, it is able to gear the portfolio and the Board takes the view that long-term returns for Shareholders can be enhanced by using gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to the Manager (FIL Investment Services (UK) Limited). The Portfolio Manager aims to achieve a total return on the Company's assets over the longer-term in excess of the equivalent return on the FTSE All-Share Index, the Company's Benchmark. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective. The Board recognises that investing in equities is a long-term process and the Company's returns will vary from year to year.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 August 2023.

Investment Management Philosophy, Style and Process

Fidelity International's ("Fidelity") distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity's analysts evaluate companies, meet their management and speak to suppliers, competitors and customers in order to build up a picture of the true state of a company's fundamentals. This first-hand research is fundamental to Fidelity's ability to form a view of a company's future profitability and ultimately for the Portfolio Manager to decide if he considers it an

attractive investment for our Shareholders. The Portfolio Manager works closely with the Fidelity analyst team and also has access to a wide range of research produced by third parties.

Investment Policy

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities and instruments issued by or related primarily to UK companies.

The Company will have a blend of investments in larger, medium and smaller sized companies and be guided by a contrarian philosophy.

The Portfolio Manager has a contrarian style which focuses on significant valuation anomalies in stocks which are out of favour with other investors, yet show potential for change. The Portfolio Manager believes these opportunities exist across the market capitalisation spectrum, and the investment approach is flexible, with positions in large, medium and smaller sized companies. The proportions in each size category may vary over time, as investment opportunities are selected on a bottom up basis.

Investments typically have the following characteristics:

- Unrecognised potential for positive change: The Portfolio Manager wants to see evidence of the company embarking upon a period of positive change. Once this change begins to be recognised by the market, there is potential for substantial upside.
- Limited downside risk: The Portfolio Manager invests in companies where market expectations are low. They will have some asset or characteristic that should prevent significant falls in the share price.

The Benchmark of the Company against which performance is measured is the FTSE All-Share Index.

The Company may invest directly in the shares of companies or indirectly through equity-related instruments (such as derivative contracts, warrants or convertible bonds) and in debt instruments. The Company may also invest in unquoted securities, subject to the investment restrictions set out on page 22.

Derivatives

The Company may utilise derivative instruments, including index-linked notes, CFDs, covered options and other equity-related derivative instruments as a tool to meet the investment objective of the Company.

Derivatives usage will focus on, but not be limited to the following investment strategies:

- As an alternative form of gearing to bank loans or bonds, the Company will purchase long CFDs that achieve an equivalent effect to bank gearing but normally at lower financing costs.
- To hedge equity market risks where the Portfolio Manager considers that suitable protection can be purchased to limit the downside of a falling market at a reasonable cost; and

Strategic Report continued

- By taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

The Company will not undertake any naked shorts.

Gearing

The Company may use gearing to enhance long-term capital growth. The maximum level of gross gearing is 40%. Within this limit the Portfolio Manager has the discretion to use a range of instruments for gearing, such as debt and CFDs, depending on the relative cost and availability of those instruments. It is the current intention of the Board that, in normal market circumstances, the Portfolio Manager will maintain net gearing in the range of 0% to 25%. Both gross and net gearing are defined in the Glossary of Terms on page 91. The level of gearing is considered by the Board at each of its meetings.

Investment Restrictions

The Company will invest and manage its assets with an objective of spreading risk through the following investment restrictions:

- No single investment (excluding cash and cash equivalents), nor the aggregate investment in any one company, shall represent more than 10% of the Company's portfolio, measured as at the time of investment.
- No more than 20% of the portfolio will be invested in companies listed on overseas exchanges.
- The Company will not invest more than 5% of its gross assets in unquoted securities.
- The Company will not invest more than 15% of its gross assets at the time of investment in listed investment companies (including listed investment trusts), including no more than 10% of its gross assets at the time of investment in funds that do not have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

Performance

The Company's performance for the year ended 31 August 2023 and a summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record, the Summary of Performance Charts and the Attribution Analysis are set out on pages 11 to 20.

Dividends and Results

The portfolio is managed actively in pursuit of capital growth. Hence, in any one year the dividend income received from investments will vary according to which stocks are owned during the reporting period and so will the dividend that will be paid. In order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

The Company's results for the year ended 31 August 2023 are set out in the Income Statement on page 55. The revenue return was 10.67 pence and the capital gain was 6.08 pence, giving a total gain of 16.75 pence per ordinary share.

The Board recommends that a final dividend of 6.27 pence per ordinary share be paid on 10 January 2024 to Shareholders who appear on the register as at the close of business on 1 December 2023 (ex-dividend date 30 November 2023). This is in addition to the interim dividend of 2.53 pence per ordinary share paid to Shareholders on 21 June 2023.

Key Performance Indicators

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out in the tables below.

Shareholder Total Returns

Share price total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC ¹	+5.6	+58.8	+10.3
Benchmark ²	+5.2	+34.9	+18.4
Peer group ³	+3.3	+18.6	+1.4

Net Asset Value ("NAV") Total Returns

NAV per ordinary share total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC ¹	+5.9	+58.2	+22.6
Benchmark ²	+5.2	+34.9	+18.4
Peer group ³	+4.1	+22.2	+6.3

(Discount)/Premium

(Discount)/Premium as at 31 August	2023 (%)	2020 (%)	2018 (%)
Fidelity Special Values PLC ¹	(8.8)	(9.1)	1.5
Peer group ³	(11.4)	(10.3)	(7.9)

Ongoing Charges Ratio

Ongoing charges ratio for the year ended 31 August ⁴	2023 (%)	2020 (%)	2018 (%)
Fidelity Special Values PLC ¹	0.70	0.98	1.04

¹ Alternative Performance Measures.

² FTSE All-Share Index.

³ AIC UK All Companies sector (including Fidelity Special Values PLC).

⁴ Defined in the Glossary of Terms on page 91.

Sources: Fidelity and Datastream.

In addition to the KPIs set out on the previous page, the Board also monitors the factors contributing to investment results, as set out in the Attribution Analysis on page 20. Long-term performance is also monitored and is set out in the Ten Year Record and the Summary of Performance Charts on pages 17 to 19.

Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Audit Committee continues to identify any new emerging risks and take any action necessary to mitigate their potential impact. 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 existing and

emerging risks, is updated and reviewed regularly in the form of comprehensive reports 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.

Climate change, which refers to a large scale shift in the planet's weather patterns and average temperatures, continues to be a key emerging as well as a principal risk confronting asset managers and their investors. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 29 to 31. The Board will continue to monitor how this may impact the Company as a risk to investment valuations and potentially Shareholder returns.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal and emerging risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the risks listed below and on pages 24 and 25 as the principal risks and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
<p>Market, Economic and Political Risks</p>	<p>The Company may be affected by market and economic risks. The principal market related risks are market downturn, interest rate movements, inflation and market shocks, such as the post pandemic UK economy recovery, volatility from the war in Ukraine and more recently conflict in the Middle East. The Company may also be impacted by concerns over global economic growth and major political events affecting the UK market and economy and the consequences of this. Inflation remains elevated across most economies driven by a combination of increased demand following the pandemic restrictions being lifted, global labour shortages in some sectors and supply chain shortages, including energy and food security. Inflation and economic instability are leading to a prolonged cost-of-living crisis and potentially impacting investors' risk appetite.</p> <p>The Company is exposed to a number of geopolitical risks. The fast-changing global geopolitical landscape is largely shaped by the Russia and Ukraine war effects, deglobalisation trends and significant supply disruption, as well as fears of global recession amid inflationary pressures and financial distress. Russia and Ukraine are both significant net exporters of oil, natural gas and a variety of soft commodities and supply limitations have fuelled global inflation and economic instability, specifically within Western nations.</p> <p>The Company's portfolio is made up mainly of listed securities. The Portfolio Manager's success or failure to protect and increase the Company's value against the above background is core to the Company's continued success. The investment philosophy of stock-picking and investing in attractively valued companies should outperform the Benchmark over time.</p> <p>The risk from the likely effects of unforeseen economic and market events is somewhat mitigated by the Company's investment trust structure which means no forced sales need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.</p> <p>The Board reviews market, economic and political risks and legislative changes at each Board meeting.</p> <p>Risks to which the Company is exposed to in the market risk category are included in Note 17 to the Financial Statements on pages 70 to 76 together with summaries of the policies for managing these risks.</p>

Strategic Report continued

Principal Risks	Description and Risk Mitigation
<p>Investment Performance Risk (including the use of derivatives and gearing)</p>	<p>The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's Benchmark and its competitors and also considers the outlook for the market with the Portfolio Manager at each Board meeting. The emphasis is on long-term investment performance as there is a risk for the Company of volatility of performance in the shorter-term.</p> <p>Derivative instruments are used to protect and enhance investment returns. There is a risk that the use of derivatives may lead to 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 detail on derivative instruments risk is included in Note 17 to the Financial Statements on pages 70 to 76.</p> <p>The Company gears through the use of long CFDs which provide greater flexibility and are generally cheaper than bank loans as a form of financing. The principal risk is that the Portfolio Manager fails to use gearing effectively, resulting in a failure to outperform in a rising market or increasing underperformance in a falling market. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.</p>
<p>Cybercrime and Information Security Risks</p>	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed 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. The risk is frequently re-assessed by Fidelity's information security teams and has resulted in the implementation of new tools and processes, including improvements to existing ones. Fidelity has a dedicated cybersecurity team which provides regular awareness updates and best practice guidance.</p> <p>Risks are increased due to the Russia/Ukraine conflict and the trend to more working from home following the pandemic. These primarily relate to phishing, remote access threats, extortion and denial of services attacks. The Manager has dedicated detect and respond resources specifically to monitor the cyber threats associated within the workplace and increased cyber activity following Russia's invasion of Ukraine. There are a number of mitigating actions in place including, control strengthening, geo-blocking and phishing mitigants, combined with enhanced resilience and recovery options.</p> <p>The Company's third-party service providers also provide assurances and have similar control measures in place to detect and respond to cyber threats and activity.</p>
<p>Environmental, Social and Governance ("ESG") Risk</p>	<p>There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate change risk. ESG risks include investor expectations and how the Company is positioned from a marketing perspective and whether it is compliant with its ESG disclosure requirements. Fidelity has embedded ESG factors in its investment decision-making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities based on sector-specific key performance indicators across 127 individual and unique sub-sectors. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor developments in this area and the positioning of the Company's portfolio considering ESG factors.</p> <p>Further detail on ESG considerations in the investment process and sustainable investing is on pages 29 and 30. ESG ratings of the companies within the Company's portfolio compared to MSCI ratings are provided on page 31.</p>

Principal Risks	Description and Risk Mitigation
Competition Risk	<p>Threats facing the Company are loss of Shareholders if the demand for investment trusts declines, and the demand for passive funds and active ETFs (Exchange-Traded Funds) continue to increase. ESG funds offered by competitors may pose competition threats with funds or companies that may offer higher ESG credentials, especially for younger investors. The Board reviews the strategic direction of the Company on an ongoing basis to ensure that it offers a relevant product to Shareholders. It also regularly reviews the Shareholder profile of the Company with the Company's Broker. ESG factors are embedded into the Portfolio Manager's investment decision process.</p>
Business Continuity Risk	<p>There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The top risks globally are cybersecurity, geopolitical events and natural disasters. There are also ongoing risks from the Russia/Ukraine war, specifically regarding the potential loss of power and/or broadband services. Variants of COVID continue to evolve and some risks remain.</p> <p>The Manager continues to take all reasonable steps to meet its regulatory obligations, assess its ability to continue operating and the steps it needs to take to support its clients, including the Board and has an appropriate control environment in place. The Manager has provided the Board with assurance that the Company has appropriate business continuity plans and the provision of services has continued to be supplied without interruption.</p> <p>Specific risks posed by the pandemic continue to ease with increasing levels of staff returning to routine office-based working, albeit under hybrid working arrangements which allows greater flexibility on remote working as part of the new operating model.</p> <p>The Company relies on a number of third-party service providers, principally the Registrar, Custodian and Depositary. They are all subject to a risk-based programme of internal audits by the Manager and their own internal controls reports are received by the Board on an annual basis and any concerns are investigated. The third-party service providers have also confirmed the implementation of appropriate measures to ensure no business disruption.</p> <p>Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.</p>
Key Person and Operational Support Risks	<p>The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans, particularly for portfolio managers.</p> <p>The Portfolio Manager, Alex Wright, has a differentiated style in relation to his peers. This style is intrinsically linked with the Company's investment philosophy and strategy and, therefore, the Company has a key person dependency on him. Fidelity has succession plans in place for its portfolio managers which have been discussed with the Board and provides some assurance in this regard. There is a Co-Portfolio Manager who works alongside the Portfolio Manager and has extensive experience in the markets and companies, and shares a common investment approach and complementary investment experience with the Portfolio Manager. There is also a risk that the Manager has inadequate succession plans for other key operational individuals.</p>
Discount Control Risk	<p>Due to the nature of investment companies, the price of the Company's shares and its discount to NAV are factors which are not totally within the Company's control. The Board has a discount management policy in place and some short-term influence over the discount may be exercised by the use of share repurchases at acceptable prices and within the parameters set by the Board. The demand for shares can be influenced through good performance and an active investor relations program.</p> <p>The Company's share price, NAV and discount volatility are monitored daily by the Manager with the Company's Broker and considered by the Board on a regular basis.</p>
Regulatory Risk	<p>The Company may be impacted by changes in legislation, taxation, regulation or other external influence that require changes to the business. These are monitored regularly by the Board and managed through active engagement with regulators and trade bodies by the Manager.</p>

Strategic Report continued

Continuation Vote

A continuation vote takes place every three years. There is a risk that Shareholders do not vote in favour of continuation during periods when performance of the Company's NAV and share price is poor. At the AGM held on 14 December 2022, 99.89% of Shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2025.

Viability Statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long-term capital growth. The Board considers 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 of the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's level of gearing;
- The Company's NAV and share price performance compared to its Benchmark;
- The principal and emerging risks and uncertainties facing the Company and their potential impact, as set out on pages 23 to 25;
- The likely 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 for the five year reporting period to 31 August 2023 was a NAV total return of +22.6% and a share price total return of +10.3% compared to the Benchmark total return of +18.4%. The Board regularly reviews the investment policy and considers whether it remains 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 Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;

- The fact that 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 preparing the Financial Statements, the Directors have considered the impact of climate change as detailed on page 23 and on page 24. The Board has also considered the impact of regulatory changes, unforeseen market events and the ongoing implications of the Russia and Ukraine war and developing conflicts in the Middle East and how this may affect the Company.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 33.

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long-term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed Investment Trust, the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services by the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential Shareholders, the external appointed Manager (FIL Investment Services (UK) Limited) and other third-party professional service providers. The Board considers that the interest of these stakeholders is aligned with the Company's objective of delivering long-term capital growth to investors, in line with the Company's stated objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on pages 21 and 22.

The Board places great importance on communication with Shareholders. The Annual General Meeting (“AGM”) provides the key forum for the Board and the Portfolio Manager to present to the Shareholders on the Company’s performance and future plans and the Board encourages all Shareholders to attend in person or virtually and raise any questions or concerns. The Chairman and other Board members are available to meet Shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Company’s registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary in writing at the same address or by email at investmenttrusts@fil.com. The Portfolio Manager meets with major Shareholders, potential investors, stock market analysts, journalists and other commentators throughout the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long-term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring Shareholders’ interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company’s direct operations are limited, the Board recognises the importance of considering the impact of the Company’s investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance (“ESG”) issues aligns with the investment objective to deliver long-term capital growth, and the Board’s review of the Manager includes an assessment of their ESG approach, which is set out on pages 29 to 31.

In addition to ensuring that the Company’s investment objective was being pursued, key decisions and actions taken by the Directors during the reporting year, and up to the date of approval of this report, have included:

- As part of the Board’s succession plan, the appointment of Dean Buckley as Chairman of the Board when Andy Irvine stepped down from the Board at the last AGM. As a result of the change in Mr Buckley’s role, the decision to appoint Nigel Foster as Senior Independent Director, both appointments with effect from 14 December 2022;
- The decision to carry out an external Board evaluation using the services of Lintstock Ltd. in accordance with the UK Corporate Governance Code;
- The decision to pay an interim dividend of 2.53 pence per share and to recommend the payment of a final dividend of 6.27 pence per share (a total of 8.80 pence per share), to maintain the 14 year track record of increasing dividends, while retaining funds for reinvestment, consistent with the objective of long-term capital growth; and
- The decision to once again hold a hybrid AGM in 2023 in order to make it more accessible to those investors who are unable to or prefer not to attend in person.

Board Diversity

The Board’s overriding intention is to ensure that it is made up of the best combination of people in order to achieve long-term capital growth for the Company’s Shareholders from an actively managed portfolio of investments. To this effect, the Board, as part of its succession plan, will continue to appoint individuals who, together as a Board, will aim to ensure the continued optimal promotion of the Company in the marketplace. In terms of diversity, there were two female and three male Directors on the Board as at 31 August 2023. The Board’s composition meets the target of 40% of women on FTSE 350 company boards by the end of 2025 as set by the FTSE Women Leaders Review. This is the third and final phase to the Hampton-Alexander Review which had a target of 33% of women board members. The Board also meets the new Listing Rule and the FCA’s targets on diversity and also that one senior position is held by a woman. The Board considers the position of Chair of the Audit Committee as a senior Board position. This is held by Claire Boyle.

Gender Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chair)
Men	3	60%	2
Women	2	40%	1

Although, the Company is not a FTSE 250 company, it meets the recommendations of the Parker Review Committee that each FTSE 250 company should have at least one director from an ethnic minority background by 2024 so as to improve the ethnic and cultural diversity of UK company boards as can be seen from the table on the next page. The Board also meets the new Listing Rule and the FCA’s targets that at least one Director is from an ethnic minority background. This position is held by Ominder Dhillon.

Ethnic Background Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chair)
White British or other White (including minority white groups)	4	80%	3
Asian/Asian British	1	20%	0

Strategic Report continued

Environmental, Social and Governance (“ESG”) in the Investment Process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an important input into the assessment of the value of the Company’s investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in its investment process. The Fidelity group of companies (including the Manager and Investment Manager) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at www.fidelity.co.uk/responsible-investing. Further information on Fidelity International’s approach to ESG in the investment process and sustainable investing can be found on pages 29 to 31 and are part of this Strategic Report.

Socially Responsible Investment

The Manager’s primary objective is to produce superior financial returns for the Company’s Shareholders. It believes that high standards of corporate social responsibility (CSR) make good business sense and have the potential to protect and enhance investment returns.

Corporate Engagement

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. It delegates the responsibility for corporate engagement and Shareholder voting to the Manager who updates the Board on issues and activities. These activities are reviewed regularly by the Manager’s corporate governance team.

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, the Company’s own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

Task Force on Climate-Related Financial Disclosures (TCFD)

Product reports of Task Force on Climate-related Financial Disclosures (TCFD) can be obtained from the Manager’s website at <https://investment-trusts.fidelity.co.uk>.

Future Developments

Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company’s future development, performance and positions are set out in the Chairman’s Statement and the Portfolio Manager’s Review on pages 2 to 8.

By Order of the Board

FIL Investments International

Secretary

6 November 2023

ESG in the Investment Process at Fidelity International

Fidelity International (“Fidelity”) has embedded Environmental, Social and Governance (“ESG”) factors in its investment decision making for a number of years. Fidelity has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

ESG integration at Fidelity is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company’s ESG risks and opportunities, based on sector specific key performance indicators across 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity’s own proprietary ratings is on page 31. In addition, Fidelity’s portfolio managers are also active in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

Fidelity’s approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research.
- Company engagement.
- Active ownership.
- Collaboration within the investment industry.

In addition to Fidelity’s Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero, or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings, which score companies across a range of environmental, social and governance criteria.

Although Fidelity’s analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invests, Fidelity has a dedicated Sustainable Investing Team working closely with the investment teams and is responsible for consolidating Fidelity’s approach to stewardship, engagement, including thematic engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team has a key role in assisting the investment teams with ESG integration which includes:

- Implementing Fidelity’s proxy voting guidelines.
- Engagement with investee companies on ESG issues, utilising Fidelity’s corporate access research capabilities and investment scale to improve corporate behaviour, including at company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

During 2021, Fidelity introduced its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity’s voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

Fidelity’s investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and visit the companies in person to develop a view of every company in which Fidelity invests. ESG factors are embedded in this research process.

Examples of ESG factors that Fidelity’s investment teams may consider as part of its company and industry analysis include:

- Corporate governance (e.g. Board structure, executive remuneration).
- Shareholder rights (e.g. election of directors, capital amendments).

ESG in the Investment Process at Fidelity International continued

- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes).
- Physical threats (e.g. extreme weather, climate change, water shortages).
- Brand and reputational issues (e.g. poor health and safety record, cyber security breaches).
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations).
- Work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act).

Fidelity operates analyst training and development programmes which include modules on ESG themes, topics and strategies and attendance at external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

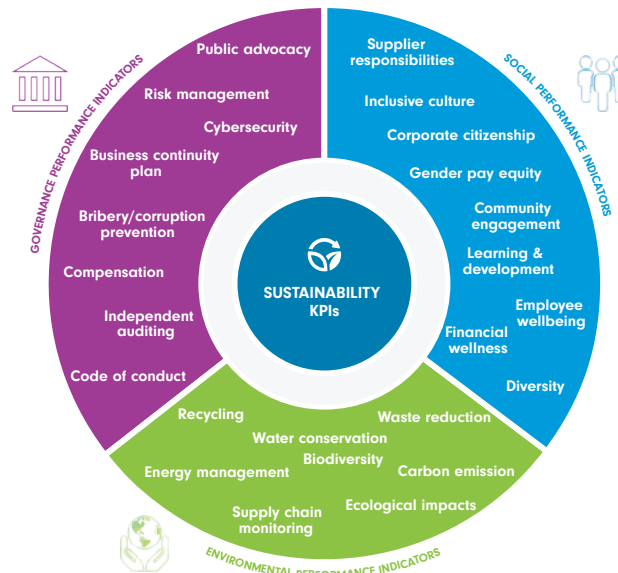
Fidelity uses a number of external research sources around the world that provide ESG-themed reports and it subscribes to an external ESG research provider and rating agency to supplement its organic analysis. Fidelity receives reports that include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity’s sources of ESG research are reviewed on a regular basis.

The ESG ratings and associated company reports are included on Fidelity’s centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company’s business or its reputation.

Fidelity International - Setting standards for its business

Sustainability built from the ground up

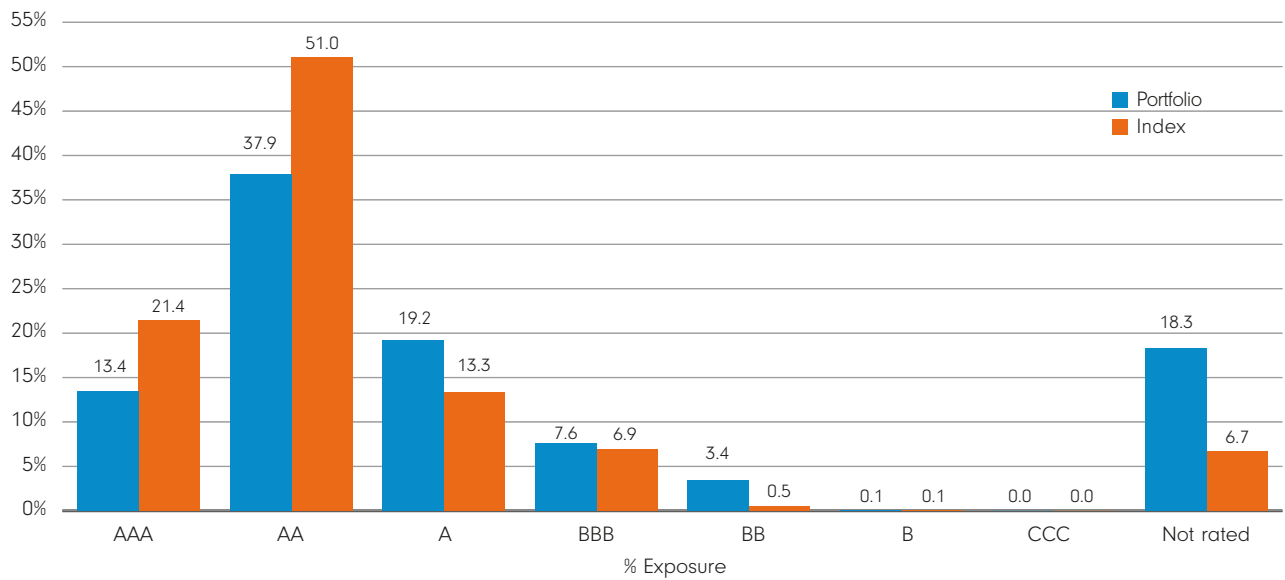
We apply the same KPIs to our own business that we use for the companies in which we invest. And we expect to improve upon our own ESG standards, just as we would expect from others.



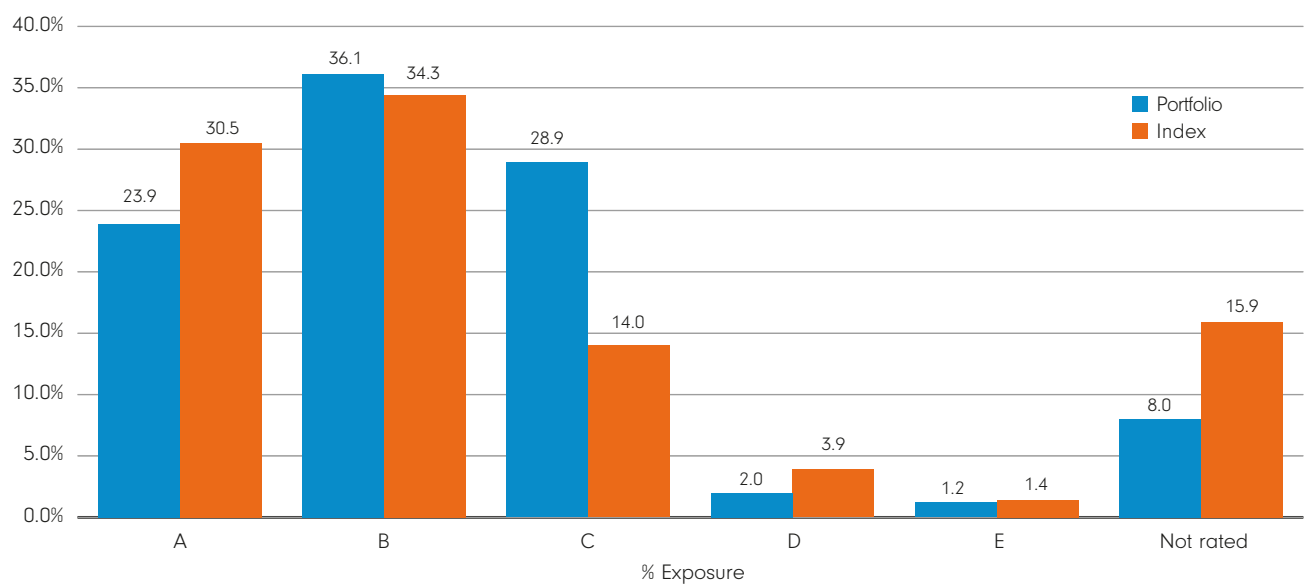
ESG ASSESSMENT

The charts below show a breakdown of the underlying stocks in the Company’s portfolio using MCSI and Fidelity’s own ESG ratings. In the first chart, MSCI rates issuers on a AAA to CCC scale according to their exposure to industry specific ESG key issues and their ability to manage those issues relative to peers. In the second chart, Fidelity’s analysts rate stocks in their coverage universe on a five scale rating from A (best) to E (worst) and are based on the net asset value of holdings excluding cash, liquidity funds, derivatives and ETFs, and rebased to 100%.

MSCI ESG Rating Distribution



Fidelity ESG Rating Distribution



Source: Fidelity International, MSCI ESG Research, Data for Fidelity Special Values as at 31 August 2023. Comparative Index: FTSE All Share Index. NR stands for Not Rated/ Not Covered. For illustrative purposes only. Top chart - MSCI rates issuers on a AAA-CCC scale according to their exposure to industry specific ESG key issues and their ability to manage those issues relative to peers. Bottom chart - FIL Analysts rate stocks in their coverage universe from A (Good) to E (Poor). The ESG ratings distribution is based on Net Asset Value of holdings excluding cash, liquidity funds, derivatives and ETFs, and is rebased to 100%. Although Fidelity International’s information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. As at 30 June 2023, they cover a universe of c. 3,800 issuers in equity and fixed income. Fidelity has a five scale rating of A (best) to E (worst).

Board of Directors



Dean Buckley

Chairman

(since 14 December 2022)

Appointed 3 November 2015



Dean Buckley is a Non-Executive Director of Alliance Trust PLC and Baillie Gifford & Co Limited. He is Chairman of Evelyn Partners Fund Solutions Limited (previously Smith & Williamson Fund Administration Limited). He is also Senior Independent Director, Chairman of the Audit Committee and the Remuneration Committee of JPMorgan Asia Growth & Income plc. He was previously a Non-Executive Director of Saunderson House Ltd and Chief Executive Officer at Scottish Widows Investment Partnership. Prior to this, he held several positions at HSBC Bank plc, including Chief Executive Officer for HSBC Asset Management UK and Middle East and Chief Investment Officer for HSBC Asset Management, European equities, and held a number of senior Fund Manager positions at Prudential Portfolio Managers. He is a Fellow of the Institute of Actuaries.



Nigel Foster

Senior Independent Director

(since 14 December 2022)

Appointed 1 September 2015



Nigel Foster has over 42 years' experience in the investment management industry. Prior to joining the Board, he was a Managing Director at BlackRock where he headed all market facing activities, including trading and capital markets for the EMEA region. He was also Global Head of Derivatives at BlackRock and predecessor firms for 27 years. He has led a number of prominent financial rescues and is the author of "The Derivatives Game", a book that traces the story of derivatives from ancient times to the present day.



Claire Boyle

Chair of the Audit Committee

(since 12 December 2019)

Appointed 24 June 2019



Claire Boyle is Chair of the Life Science REIT plc and a Non-Executive Director of The Monks Investment Trust PLC and Nippon Active Value Fund plc. She was until recently, a Non-Executive Director and Chair of the Audit Committee of abrdn Japan Investment Trust plc. She was a Partner at Oxburgh Partners LLP with responsibility for the European Equity Hedge Fund and, prior to that, a European Equity Fund Manager at American Express Asset Management. She started her investment career with Robert Fleming Investment Management. She is a Fellow of the Institute of Chartered Accountants, having worked in fraud investigations at Coopers & Lybrand.

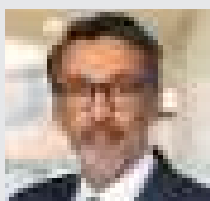


Alison McGregor

Appointed 1 January 2020



Alison McGregor is a Non-Executive Director and Chair of the Audit Committee of Scottish Power Energy Networks, and Chair of The Malcolm Group. Until December 2019, she was CEO of HSBC Scotland. Prior roles include Managing Director at Corporate Banking North HSBC, Head of Corporate Banking Clydesdale and Yorkshire Bank and 24 years' experience in various banking roles at Barclays Bank PLC. Prior board roles include Non-Executive Director of Beatson Cancer Charity, Chair of the Scottish Apprenticeship Advisory Board, Non-Executive Director of CBI and Non-Executive Director of Scottish Enterprise. In 2018, she received the Women in Banking and Finance UK award for Achievement and was recognised by Action for Children as Woman of Influence in Business. In 2017, she was awarded the Scotland Corporate Leader of the Year Award at The Scottish Women's Awards.



Ominder Dhillon

Appointed 23 June 2022



Ominder Dhillon is a Non-executive Director of The City of London Investment Trust plc and a Senior Advisor to IC Research. He has 30 years' experience of asset management covering institutional, wholesale and retail channels. Until June 2023, he was a Trustee to the UK charity, Facing History & Ourselves. Until January 2020, he was Global Head of Institutional Distribution at M&G Investments and prior to that, Managing Director of Global Business Development at sustainable and impact investment specialist Impax Asset Management. Prior to Impax, he was Head of UK & Ireland Institutional Distribution at Fidelity International, Director Institutional Business Development at Scottish Widows Investment Partnership and a Director and Portfolio Manager at John Morrell & Associates Limited.

All Directors are Non-Executive Directors and all are independent.

Committee membership key

Audit Management Engagement Nomination Committee Chair

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 August 2023.

The Company was incorporated in England and Wales as a public limited company on 27 September 1994 under the name of Fidelity Special Values PLC with the registered number 2972628 and commenced business as an investment trust on 17 November 1994.

MANAGEMENT COMPANY

FIL Investment Services (UK) Limited ("FIL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FIL, as the Manager, has delegated the portfolio management of assets and the role of company secretary to FIL Investments International.

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited. FIL Limited has no beneficial interest in the shares of the Company (2022: nil).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on pages 38 and 39.

Management Fee

Since 1 January 2021, the management fee is a single fee of 0.60% of net assets.

Fees for the reporting year were £5,698,000 (2022: £5,607,000) and are disclosed in Note 4 on page 62.

The Board

All Directors served on the Board throughout the year ended 31 August 2023, with the exception of Andy Irvine who stepped down from the Board on 14 December 2022. A brief description of all serving Directors as at the date of this Annual Report is shown on page 32 and indicates their qualifications for Board membership.

Directors' and Officers' Liability Insurance

In addition to benefits under the Manager's global Directors' and Officers' liability insurance arrangements, the Company maintains additional insurance cover for its Directors under its own policy as permitted by the Companies Act 2006.

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 and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has, therefore, concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 30 November 2024 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Board's assessment of the ongoing risks from the war in Ukraine and significant market events.

Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 26.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 14 December 2023.

Disclosure of Information to the Company's Auditor

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this Annual Report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any audit information, and to establish that the Company's Auditor is aware of that information.

Articles of Association

Any amendments to the Company's Articles of Association must be made by a special resolution.

Corporate Governance

The Corporate Governance Statement on pages 37 to 40 forms part of this report.

Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Group as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 63.

Directors' Report continued

Share Capital

The Company's issued share capital comprises ordinary shares of 5 pence each which are fully listed on the London Stock Exchange. As at 31 August 2023, the share capital of the Company was 324,098,920 shares (2022: 324,098,920). No shares were held in Treasury (2022: nil).

Premium/Discount Management: Enhancing Shareholder Value

The Board actively manages the Company's level of premium/discount. If the Company is trading at a discount, it seeks to maintain the discount in single digits in normal market conditions. The Board seeks authority from Shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of Shareholders at the time.

Share Issues

The Company did not issue any ordinary shares in the year to 31 August 2023 (2022: 11,070,000 issued from its block listing facility). Since the year end and as at the date of this Annual Report, no ordinary shares have been issued.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 14 December 2023 and resolutions to renew these authorities will be put to Shareholders at this AGM.

Share Repurchases

The Company did not repurchase any ordinary shares into Treasury or for cancellation in the year to 31 August 2023 (2022: nil). Since the year end and as at the date of this Annual Report, no shares have been repurchased into Treasury or for cancellation.

The authority to repurchase shares expires at the AGM on 14 December 2023 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to Shareholders at this AGM.

Substantial Share Interests

As at 31 August 2023 and 30 September 2023, notification had been received that the Shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	31 August 2023	30 September 2023
Fidelity Platform Investors	18.85	18.78
Evelyn Partners	10.18	10.15
Interactive Investor	7.65	7.70
Hargreaves Lansdown	7.26	7.26
Rathbones	6.86	6.80
RBC Brewin Dolphin	6.05	6.01
Investec Wealth & Investment	3.43	3.40
AJ Bell	3.38	3.38

An analysis of Shareholders as at 31 August 2023 is detailed in the table below.

Shareholders as at 31 August 2023	% of voting share capital
Private Shareholders ¹	87.52
Institutions	9.77
Insurance	1.18
Pension	0.90
Other	0.63

¹ Includes Fidelity Platform Investors (18.85%).

Additional Information Required in the Directors' Report

Information on proposed dividends, financial instruments and disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 21 to 28.

Responsibility as an Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity International is a signatory to the UK Stewardship Code which sets out the responsibilities of institutional Shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

Relations with Shareholders

Communication with Shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass Shareholder opinion and to communicate its views to Shareholders. All Directors are made aware of Shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors, are available to meet with Shareholders to discuss strategy and governance. The Board regularly monitors the Shareholder profile of the Company and receives regular reports from the Manager on meetings attended with Shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and Shareholders. If any Shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or in writing at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all Shareholders to attend the Company's AGM on 14 December 2023, details of which can be found on page 5.

Alex Wright, the Portfolio Manager, will be making a presentation to Shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that Shareholders may have. Copies of his presentation can be requested by email at investmenttrusts@fil.com or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

The Notice of Meeting on pages 81 to 84 sets out the business of the AGM and the special business resolutions are explained more fully on the next page. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

Voting Rights in the Company's Shares

Every person entitled to vote on a show of hands has one vote. On a poll every Shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelity.co.uk/specialvalues after the AGM.

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

The AGM of the Company will be held at 11.00 am on Thursday, 14 December 2023 at 4 Cannon Street, London EC4M 5AB and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84.

For those Shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Properly registered Shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and we will answer as many as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website www.fidelity.co.uk/specialvalues. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, Shareholders will need to connect to the website at <https://web.lumiagm.com>.

We urge Shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **102-255-614**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions, but you will not be able to vote.

Directors' Report continued

Fidelity Platform Investors - Voting at AGMs

If you hold your shares in the Company through the Fidelity Platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. Fidelity Platform Investors are advised to vote online via the Broadridge Service (a company that specialises in investor voting facilities). Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting

Paper Proxy Forms will be sent to all Shareholders who hold shares on the main share register. This will assist Shareholders to vote in advance of the meeting should they decide not to attend in person.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 14 December 2023, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 81 and 82, including the items of special business summarised below.

Authority to Allot Shares

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,620,494. If passed, this resolution will enable the Directors to allot a maximum of 32,409,880 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury shares) as at 6 November 2023 and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of Shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per ordinary share.

Authority to Disapply Pre-Emption Rights

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific Shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,620,494 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 6 November 2023 and equivalent to 32,409,880 ordinary shares).

Authority to Repurchase Shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (48,582,428) of ordinary shares in issue (excluding Treasury shares) on 6 November 2023 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per ordinary share.

Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its Shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

By Order of the Board

FIL Investments International

Secretary

6 November 2023

Corporate Governance Statement

“Corporate governance” is the process by which the Board of Directors of a company look after Shareholders’ interests and by which it endeavours to enhance those interests (often referred to as “shareholder value”). Shareholders hold the Directors responsible for the stewardship of a company’s affairs, delegating authority to the Directors to manage the Company on their behalf and holding them accountable for its performance.

This report, which forms part of the Directors’ Report, explains how the Directors of Fidelity Special Values PLC (the “Company”) deal with that responsibility, authority and accountability.

Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the “UK Code”) issued by the Financial Reporting Council (the “FRC”) in July 2018 and the AIC’s Code of Corporate Governance (the “AIC Code”) issued by the Association of Investment Companies (the “AIC”) in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This statement, together with the Statement of Directors’ Responsibilities on page 44, set out how the principles have been applied.

The AIC Code can be found on the AIC’s website at www.theaic.co.uk and the UK Code on the FRC’s website at www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors’ remuneration, and the need for an internal audit function. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations. All of its day to day management and administrative functions are delegated to the Manager.

The Corporate Governance of an Investment Trust Company

The corporate governance of most investment companies is different from most other commercial companies in one important respect: they do not employ their own people as management but instead the services of a fund management company. This affects the way investment companies are governed but not the purpose of their governance. Given that the Manager’s business is not dedicated solely to the interests of investment companies and their Shareholders, investment company boards must be largely independent of management. However, the Board must have knowledge and experience of both fund management and investment company management. The Company was established and is managed and promoted by its Manager, which is, therefore, one of the main reasons some Shareholders choose to invest in the Company’s shares. It follows that it is an important aspect of the corporate governance of the Company that its Manager should be party to the responsibility, authority and accountability to those investing in their management.

The Corporate Governance policies and Modus Operandi of Fidelity Special Values PLC

The corporate governance of any investment company, while following the guidelines of the UK Code and AIC Code, will vary in certain respects depending on its own circumstances. The Board of the Company has considered its own circumstances and determined its own corporate governance policies and modus operandi.

In this section we have outlined the corporate governance policies and modus operandi through the following three aspects of corporate governance: Responsibility, Authority and Accountability. It is, first of all, important that Shareholders have confidence in the Board of Directors, whom they hold responsible and accountable for the Company’s affairs.

In determining the guidelines for the composition of the Board, the Directors believe that Board members, including the Chairman, are independent of management, and that within the Board there is understanding and experience of investment management, investment company management, the investment objective of the Company, marketing, general business experience and finally of Fidelity’s investment philosophy and its operations.

All Directors are independent and considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Details of the Directors’ current business associations are set out on page 32. In addition, all Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Board follows a procedure of notification of any interests that may arise as part of considering any potential conflicts.

All of the Directors are Non-Executive. Each Director’s individual independence, including that of the Chairman, has been assessed and confirmed, taking into consideration:

- Integrity, commitment, intelligent challenge;
- Independence of mind and character;
- Experience and knowledge of investment trusts, of the investment business generally and of Fidelity;
- Financial literacy;
- Conflicts of interest; and
- Performance as a Director.

Corporate Governance Statement continued

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Claire Boyle	5/5	3/3	1/1	1/1
Dean Buckley ¹	5/5	1/1	1/1	1/1
Ominder Dhillon	5/5	3/3	1/1	1/1
Nigel Foster	5/5	3/3	1/1	1/1
Andy Irvine ²	2/2	n/a	1/1	1/1
Alison McGregor	5/5	3/3	1/1	1/1

¹ Not a member of the Audit Committee since appointment as Chairman of the Board on 14 December 2022.

² Retired on 14 December 2022.

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude ad hoc meetings for formal approvals.

The Board considers the tenure of each Director annually. A Director may serve more than nine years, provided that such Director is considered by the Board to continue to be independent and provides experience that remains relevant. In addition, each Director is subject to annual re-election, or election if newly appointed, by Shareholders.

The Board meets regularly to discharge its duties effectively and the table above gives the attendance record for the meetings held during the reporting year.

Responsibility

Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company for the benefit of our Shareholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long-term, fostering relationships with the Company's stakeholders and the desirability of the Company in maintaining a reputation for high standards of business conduct. Further detail on promoting the success of the Company is in the Strategic Report on pages 26 and 27.

Authority

The Board is furnished by Shareholders with the authority to manage the Company on their behalf, in order to discharge the responsibilities outlined above. The Board, being independent of the Manager, carries out its duties through Board meetings and Board appointed Committee meetings. The most important aspect of Directors' duties concerns the management of the Company's portfolio of assets and of the risk profile of its balance sheet. While the day-to-day investment management is delegated to the Manager, there are certain decisions retained and made by the Directors, including the payment of dividends, the share issue and share repurchase guidelines and the derivatives and gearing policies.

In structuring Board meetings, the Directors try to concentrate as much as possible of their regular Board meetings on (i) investment matters (including strategy, investment policy, gearing and derivatives policies, portfolio and stock reviews, portfolio

turnover, monitoring performance etc); and (ii) Shareholder value matters (including monitoring the premium or discount, share issues and share repurchases and the marketing of the Company). The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board meets regularly with the Company's Broker to discuss Shareholder value and investor relation matters. The Portfolio Manager and Manager meet with the larger Shareholders on a regular basis and report back to the Board on those meetings. The Chairman, when required, also attends some of these meetings. Key representatives of the Manager attend each Board meeting, enabling the Board to discuss business matters further.

BOARD COMMITTEES

The Board has three Committees, as set out below and on the next page, through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues.

Audit Committee

The Audit Committee consists of Claire Boyle as Chair, Ominder Dhillon, Nigel Foster and Alison McGregor. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 45 to 47.

Management Engagement Committee Composition

The Management Engagement Committee is chaired by Dean Buckley and consists of all the Directors.

Role and Responsibilities

It is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's

Management Agreement remains competitive and reasonable for Shareholders. It meets at least once a year and reports to the Board, making recommendations where appropriate.

Manager's Reappointment

Ahead of the AGM on 14 December 2023, the Committee has reviewed the performance of the Manager and the current fee basis and also that of its peers. The Committee noted the Company's NAV and share price performance over the reporting year and also over five years and over the Portfolio Manager's tenure compared to the returns of the Benchmark. The Committee also noted the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of Shareholders that the appointment of the Manager should continue. Details of the fee structure for the reporting year ended 31 August 2023 can be found in the Directors' Report on page 33.

Nomination Committee Composition

The Nomination Committee is chaired by Dean Buckley and consists of all the Directors.

Role and Responsibilities

The Committee meets at least once a year and reviews the composition, size and structure of the Board. The Committee is responsible for succession planning and it is charged with nominating new Directors for consideration by the Board, and in turn for approval by Shareholders.

In respect of new Directors, the Board believes that it is important in the search for and recommendation of a candidate to the Board that it is carried out by all of the Committee members who are all independent Directors. The Committee carries out its candidate search from the widest possible pool of talent based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender and diversity. External consultants are used to identify potential candidates and to assist the Board in recruiting new independent Non-Executive Directors.

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operation and administration functions of the Company, together with a summary of their duties and responsibilities. Directors are encouraged to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. They also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution of each Director and concluded that each Director seeking re-election has been effective and continues to demonstrate commitment to their role. This has been endorsed by the Board which recommends their reappointment by Shareholders at the forthcoming AGM. The

terms and conditions of appointment of Directors are available for inspection at the registered office of the Company.

As part of the election and re-election process, and other than every third year when an external evaluation is undertaken, a Board evaluation process is undertaken ahead of the AGM which takes the form of written questionnaires and one to one discussions. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board carried out an externally facilitated evaluation this year using the services of Lintstock Ltd. which has no connection with the Company or Manager. It was concluded that the Chairman, each Director and the Manager had been effective and continue to demonstrate commitment to their roles. The tenure of individual Directors is also considered during the evaluation process.

The next external evaluation will take place in 2026.

Accountability

Given that the Shareholders entrust the Board of Directors with the management of the Company's affairs, it is necessary that the Board accounts for itself to Shareholders. The process of accountability involves providing all the necessary information for Shareholders to make judgements about the Board's stewardship and performance through a full and informative annual financial report, a half-yearly financial report, the presentation of the Company's results and future prospects at the AGM and accessibility to the Board at any time via the Company Secretary.

The AGM is the occasion when the Board accounts for itself in a public meeting. It regards any bona fide issue that any Shareholder raises as one that should be put to all Shareholders at the AGM so that all those attending can hear any concerns expressed in an open forum and make their own judgement. The AGM provides Shareholders with an opportunity to vote on certain issues that are not ultimately delegated to the Board. This includes the election and re-election of Directors every year in addition to the normal matters of approving the financial statements, the appointment of the Company's Auditor, the issue of new shares and the repurchase of shares. Your Board has an established policy that enables Shareholders to decide whether they wish to continue the Company's existence by putting a "continuation vote" before Shareholders at every third AGM. The next continuation vote will take place at the AGM in 2025.

Directors' Remuneration

The Board determines the level of Directors' fees and full details are disclosed in the Directors' Remuneration report on pages 41 and 42.

Senior Independent Director

Nigel Foster is the Senior Independent Director and fulfils the role as a sounding board for the Chairman, intermediary for the other Directors as necessary and acts as a channel of communication for Shareholders in the event that contact through the Chairman is inappropriate.

Corporate Governance Statement continued

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense.

Supply of Information

The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. The Board receives this information in a timely manner and of a quality appropriate to enable it to discharge its duties.

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to financial, operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Company's Auditor relevant to the Company's audit. It also includes consideration of internal controls covered in similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The process also assists in identifying any new emerging risks and the action necessary to mitigate their potential impact. The Board confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 August 2023 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard Shareholders' investments and

the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

Part of the Managers' role in ensuring the provision of a good service pursuant to the Management Agreement, includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity has advised the Board that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

Criminal Finances Act 2017

The Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

On Behalf of the Board

Dean Buckley

Chairman

6 November 2023

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 August 2023 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of Non-Executive Directors and has no chief executive officer and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to Shareholders at the AGM on 14 December 2023. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 48 to 54.

Directors' Remuneration

The annual fee structure since 1 September 2023 is as follows: Chairman - £44,500 (2022: £43,000); Chair of the Audit Committee - £35,000 (2022: £34,000); Senior Independent Director - £31,500 (2022: £29,000); and Director - £29,500 (2022: £29,000). Levels of remuneration are reviewed to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £250,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable out-of-pocket expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long-term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office. Directors' fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated. The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees.

The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager, and research from third parties and it includes information on the fees of other similar investment trusts.

As a FTSE 350 company, and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance. This also includes input into the appropriate level of Directors' fees from an independent source.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's Annual General Meetings and can be obtained from the Company's registered office.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members.

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out in last year's Annual Report, was approved at the AGM held on 14 December 2022 with 99.19% of votes cast in favour, 0.22% of votes cast against and 0.59% of votes withheld. The current Policy, as set out above, has been followed throughout the year ended 31 August 2023 and up to the date of this report. The next vote will be put to Shareholders at the AGM in December 2025, and the votes cast will be disclosed on the Company's website at: www.fidelity.co.uk/specialvalues.

Voting on the Directors' Remuneration Report

The Directors' Remuneration Report for the year ended 31 August 2022 was approved at the AGM held on 14 December 2022 with 99.21% of votes cast in favour, 0.23% of votes cast against and 0.56% of votes withheld.

The Directors' Remuneration Report for the year ended 31 August 2023 will be put to Shareholders at the AGM on 14 December 2023, and the votes cast will be disclosed on the Company's pages of the Manager's website at: www.fidelity.co.uk/specialvalues.

Directors' Remuneration Report continued

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year ended 31 August 2023 was £180,836 (2022: £164,429). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are disclosed in the table below.

	2024 Projected Fees (£)	2023 Fees (Audited) (£)	2023 Taxable Expenses (Audited) (£)	2023 Total (Audited) (£)	2022 Fees (Audited) (£)	2022 Taxable Expenses (Audited) (£)	2022 Total (Audited) (£)
Remuneration of Directors							
Claire Boyle	35,000	34,000	1,288	35,288	31,750	367	32,117
Dean Buckley ¹	44,500	39,033	468	39,501	27,000	566	27,566
Ominder Dhillon ²	29,500	29,000	1,332	30,332	5,123	-	5,123
Nigel Foster ³	31,500	29,000	-	29,000	27,000	-	27,000
Andy Irvine ⁴	n/a	12,404	1,168	13,572	41,000	2,611	43,611
Alison McGregor	29,500	29,000	4,143	33,143	27,000	2,012	29,012
Total	170,000	172,437	8,399	180,836	158,873	5,556	164,429

1 Appointed as Chairman on 14 December 2022.

2 Appointed on 23 June 2022.

3 An additional fee of £2,500 payable for position as Senior Independent Director from 1 September 2023.

4 Retired on 14 December 2022.

The fees for 2023 are higher than the prior year due to the crossover between Directors' retirements and appointments from the Board. This is part of the Board's succession planning.

Five year change comparison in Directors' Remuneration

The table below sets out the change in Directors' fees over the last five years.

	31 August 2023	31 August 2018	Change (%)
Chairman	43,000	41,000	+4.9%
Audit Committee Chair	34,000	31,750	+7.1%
Director	29,000	27,000	+7.4%

Expenditure on Directors' Remuneration and Distributions to Shareholders

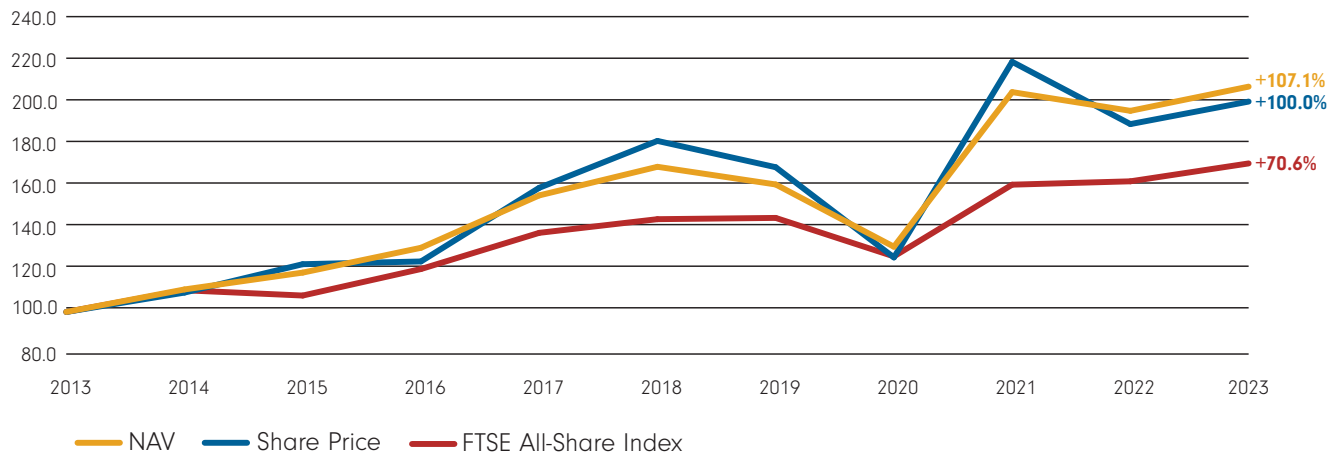
The table below shows the total amount paid out in Directors' remuneration and distributions to Shareholders. The projected Directors' remuneration for the year ending 31 August 2024 is disclosed in the table first above.

	31 August 2023 £	31 August 2022 £
Expenditure on Directors' Remuneration:		
Fees and taxable expenses	180,836	164,429
Distribution to Shareholders:		
Dividend payments	25,863,000	21,590,000

Performance

The Company aims to achieve long-term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market. The graph below shows the performance of the NAV per ordinary share and share price against the FTSE All-Share Index over ten years to 31 August 2023.

Total return performance for the ten years to 31 August 2023



Directors' Interests in Ordinary Shares

Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The interests of the Directors' in the ordinary shares of the Company are shown in the table below. All of the shareholdings are beneficial. The Portfolio Manager also holds shares in the Company.

Directors' Shareholdings (Audited)

	31 August 2023	31 August 2022	Change during year
Claire Boyle	7,466	7,466	-
Dean Buckley	50,000	50,000	-
Ominder Dhillon ¹	4,000	-	4,000
Nigel Foster ¹	81,000	75,000	6,000
Andy Irvine ²	n/a	250,000	-
Alison McGregor ^{1,3}	30,000	20,000	10,000

¹ Purchase of shares.

² Retired on 14 December 2022.

³ Shares held by self and connected person.

All Directors' shareholdings remained unchanged at the date of this report.

On Behalf of the Board

Dean Buckley

Chairman

6 November 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law, the Directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Company and 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 which comply with that law and those regulations.

The Directors have delegated the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues 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 UK Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Annual Report, including the Strategic 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; and
- 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.

The Statement of Directors' Responsibility was approved by the Board on 6 November 2023 and signed on its behalf by:

Dean Buckley
Chairman

Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee (the "Committee") to Shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes (see page 40 for further details) and the effectiveness of the independent audit process for the year ended 31 August 2023. This report details how we carry out this role.

Composition and Meetings

The members of the Committee are myself as Chair, Ominder Dhillon, Nigel Foster and Alison McGregor. All Committee members are independent Non-Executive Directors, and their skills and experience are set out on page 32. The Committee considers that collectively the members have sufficient recent and relevant sector and financial experience to fully discharge their responsibilities.

The Committee met three times during this reporting year. The Committee invites the Company's Auditor and personnel from the Manager's financial, risk and internal audit functions to attend and report to the Committee on relevant matters. During the year, I also met privately with the Auditor to raise any issues without management present. After each Committee meeting, I report to the Board on the main items discussed at the meeting.

Ahead of each AGM, the Committee's performance is evaluated as part of the overall Board evaluation process as reported on page 39. This year's Committee evaluation was carried out using an external company, Lintstock Ltd.

Role and Responsibilities of the Audit Committee

The Committee's authority and duties are defined in its terms of reference, which were reviewed during the year and are available on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues. The principal activities carried out during the year were:

- Financial Reporting:** We considered the Company's financial reports, including the significant accounting issues and the appropriateness of the accounting policies adopted. We considered and are satisfied that, taken as a whole, the 2023 Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. We considered the ongoing impact of the war in Ukraine and market events and reviewed the assessment of the Company as a going concern and also its viability over a five year time frame. We reviewed the revenue that has been recognised and the liquidity of the portfolio;
- Internal Audit:** We considered the scope of the internal audit of the Manager and the subsequent findings from this work, receiving regular reports from the internal audit function of the Manager. The Committee also monitored progress in the implementation of the Manager's internal audit recommendations;
- Risk and Internal Control:** During one of the Committee meetings, we considered the key existing and emerging risks facing the Company and the adequacy and effectiveness of the internal controls and risk management processes. This included a review of the Manager's business continuity plans and operational resilience strategies in order to continue to meet regulatory obligations and also continuing to serve and support investors and the Board. The Company's third party service providers also continue to implement similar measures to ensure that there is no disruption in service. The Committee received sufficient assurance that the Manager's and third party service providers measures have continued to work effectively since the pandemic and, in the reporting year, during disruptions from the rail strikes; and
- External Auditor:** We considered the independence, effectiveness and fees of the Auditor, as detailed later in this report.

Report of the Audit Committee continued

Significant issues considered by the Committee during the year

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 44. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

Summarised below are the most significant issues which were considered by the Committee in respect of these Financial Statements and how these issues were addressed.

Recognition of Investment Income	Investment income is recognised in accordance with Accounting Policy Note 2 (e) on page 59. The Manager provided detailed revenue forecasts and the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for the classification of these special dividends. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, including an additional internal controls report ("AAF" report) prepared by PricewaterhouseCoopers LLP ("PwC") on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income, including the allocation of special dividends.
Valuation, existence and ownership of investments (including derivatives and unlisted investments)	The valuation of investments (including derivatives) is in accordance with Accounting Policy Notes 2 (k) and 2 (l) on pages 60 and 61. The Committee took comfort from the Depositary's regular oversight function that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depositary and an additional AAF report prepared by PwC on behalf of the Manager which concluded that the controls around the valuation, existence and ownership of investments operate effectively. The valuation of unlisted investments is appraised by the Manager's Fair Value Committee ("FVC") in accordance with UK GAAP and International Private Equity and Venture Capital Valuation Guidelines. The Committee reviewed the information received from the FVC on the proposed valuation methodologies for all unlisted investments. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including derivatives and unlisted investments.

The Company confirms that it has complied with the September 2014 Competition and Markets Authority Order in relation to the performance and appointment of the Auditor, as set out below and on the next page.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 August 2023.

With regard to the independence of the Auditor, the Committee reviewed:

- The Auditor's arrangements for any conflicts of interest;
- The fact that no non-audit services were provided to the Company during the reporting year and up to the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards.

With regard to the effectiveness of the audit process, the Committee reviewed:

- The fulfilment by the Auditor of the agreed audit plan, including the audit team and approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 August 2023; and
- Feedback from the Manager on the audit of the Company.

The Committee concluded that the Auditor continues to remain independent and the audit process remains effective.

Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process in 2015. The Company will be required to carry out a formal audit tender process in 2025. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the second year that the current Audit Partner, Ashley Coups, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restricts the Company's choice of Auditor.

Audit Fees

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 63. The audit fee for the reporting year was £49,998 (2022: £46,500).

Claire Boyle

Chair of the Audit Committee
6 November 2023

Independent Auditor's Report to the Members of Fidelity Special Values PLC

Opinion

We have audited the Financial Statements of Fidelity Special Values PLC ('the Company') for the year ended 31 August 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related Notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 August 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of Company in conducting the audit.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment;

- Inspecting the Directors' assessment of going concern, including the revenue and expense forecast, for the period to 30 November 2024 which is at least 12 months from the date of approval of these Financial Statements. In preparing the revenue and expense forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due;
- Reviewing the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the revenue and expense forecast. Considering the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised, including liquidity analysis, were appropriate to be able to make an assessment of going concern for the Company;
- Consideration of the mitigating factors included in the revenue and expense forecast that are within the control of the Company, including a review of the Company's assessment of the liquidity of investments held and evaluating the Company's ability to sell investments in order to cover the working capital requirements should its revenue decline significantly; and
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 November 2024 which is at least twelve months from the date these Financial Statements were authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement • Risk of incorrect valuation or ownership of the investment portfolio, including derivatives
Materiality	<ul style="list-style-type: none"> • Overall materiality of £9.51m which represents 1% of Net Asset Value of the Company as at 31 August 2023.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Company. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. These are explained on page 23 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2(a) and the conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date and therefore reflect the market participants view of climate change risk on the investments held by the Company. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Fidelity Special Values PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement</p> <p><i>Refer to the Report of the Audit Committee (page 46); Accounting Policies (page 59); and Note 3 of the Financial Statements (page 62).</i></p> <p>The Company has reported revenue of £46.69m (2022: £38.01m).</p> <p>During the year, the Company received special dividends amounting to £3.30m (2022: £1.75m), of which £1.40m (2022: £1.38m) was classified as revenue and £1.90m (2022: £0.37m) as capital.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the Directors may be required to exercise judgement in determining whether income received in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures to evaluate the design and implementation of controls; • For all dividends received and accrued, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements; • For all dividends accrued, we assessed whether the dividend obligations arose prior to 31 August 2023 with reference to an external source. We also agreed subsequent cash receipts to post year-end bank statements where applicable; • To test completeness of recorded income, we tested that all expected dividends for each of the investee companies had been recorded as income with reference to an external source; and • For all dividend income during the year, we reviewed the type of dividends paid with reference to an external source to identify those which were special dividends. For special dividends above our testing threshold, we assessed the appropriateness of the Company's classification as either revenue or capital by reviewing the rationale for the underlying distribution. 	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incorrect valuation or ownership of the investment portfolio, including derivatives</p> <p><i>Refer to the Report of the Audit Committee (page 46); Accounting Policies (pages 60 and 61); and Notes 10 and 11 of the Financial Statements (pages 66 and 67).</i></p> <p>At 31 August 2023, the Company held investments with a value of £882.69m (2022: £835.67m). The Company also has net derivative assets amounting to £0.82m (2022: net derivative liabilities amounting to £9.17m).</p> <p>The valuation of the assets held in the investment portfolio, including derivatives, is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing walkthrough procedures; For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations. We recalculated the investment and derivative valuations as at the year end; We inspected the stale pricing report to identify prices that had not changed and verified whether the quoted price is a valid fair value; and We compared the Company's investment holdings at 31 August 2023 to the independent confirmation received directly from the Company's Custodian and Depositary. We agreed all year-end open derivative positions to confirmations received independently from the Company's Brokers. 	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio, including derivatives.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £9.51m (2022: £9.23m), which is 1% (2022: 1%) of Company's Net Asset Value. We believe that Net Asset Value provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our

judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £7.13m (2022: £6.92m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £1.76m (2022: £1.52m) being 5% (2022: 5%) of revenue profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.48m (2022: £0.46m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.



Independent Auditor's Report to the Members of Fidelity Special Values PLC continued

Other information

The other information comprises the information included in the annual report other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 26;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 44;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 23;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 40; and
- The section describing the work of the Audit Committee set out on page 45.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.

- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 30 November 2015 to audit the Financial Statements for the year ending 31 August 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 31 August 2016 to 31 August 2023.

- The audit opinion is consistent with the additional report to the Audit Committee.

Independent Auditor's Report to the Members of Fidelity Special Values PLC continued

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ashley Coups

Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
6 November 2023

Income Statement

for the year ended 31 August 2023

	Notes	Year ended 31 August 2023			Year ended 31 August 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	10	-	(12,021)	(12,021)	-	(64,441)	(64,441)
Gains/(losses) on long CFDs	11	-	35,770	35,770	-	(14,992)	(14,992)
Investment and derivative income	3	43,717	-	43,717	37,135	-	37,135
Other interest	3	2,971	-	2,971	877	-	877
Investment management fees	4	(5,698)	-	(5,698)	(5,607)	-	(5,607)
Other expenses	5	(948)	-	(948)	(838)	-	(838)
Foreign exchange (losses)/gains		-	(4,032)	(4,032)	-	5,874	5,874
Net return/(loss) on ordinary activities before finance costs and taxation		40,042	19,717	59,759	31,567	(73,559)	(41,992)
Finance costs	6	(4,774)	-	(4,774)	(1,243)	-	(1,243)
Net return/(loss) on ordinary activities before taxation		35,268	19,717	54,985	30,324	(73,559)	(43,235)
Taxation on return/(loss) on ordinary activities	7	(672)	-	(672)	(196)	-	(196)
Net return/(loss) on ordinary activities after taxation for the year		34,596	19,717	54,313	30,128	(73,559)	(43,431)
Return/(loss) per ordinary share	8	10.67p	6.08p	16.75p	9.42p	(23.00p)	(13.58p)

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

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

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

Balance Sheet

as at 31 August 2023

Company number 2972628

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments	10	882,692	835,672
Current assets			
Derivative instruments	11	1,769	28
Debtors	12	8,937	10,940
Amounts held at futures clearing houses and brokers		–	8,190
Cash and cash equivalents		59,460	80,450
		70,166	99,608
Current liabilities			
Derivative instruments	11	(949)	(9,200)
Other creditors	13	(860)	(3,481)
		(1,809)	(12,681)
Net current assets		68,357	86,927
Net assets		951,049	922,599
Capital and reserves			
Share capital	14	16,205	16,205
Share premium account	15	238,442	238,442
Capital redemption reserve	15	3,256	3,256
Other non-distributable reserve	15	5,152	5,152
Capital reserve	15	648,795	629,078
Revenue reserve	15	39,199	30,466
Total Shareholders' funds		951,049	922,599
Net asset value per ordinary share	16	293.44p	284.67p

The Financial Statements on pages 55 to 77 were approved by the Board of Directors on 6 November 2023 and were signed on its behalf by:

Dean Buckley
Chairman

Statement of Changes in Equity

for the year ended 31 August 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non- distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Share- holders' funds £'000
Total Shareholders' funds at 31 August 2022		16,205	238,442	3,256	5,152	629,078	30,466	922,599
Net return on ordinary activities after taxation for the year		-	-	-	-	19,717	34,596	54,313
Dividends paid to Shareholders	9	-	-	-	-	-	(25,863)	(25,863)
Total Shareholders' funds at 31 August 2023		16,205	238,442	3,256	5,152	648,795	39,199	951,049
Total Shareholders' funds at 31 August 2021		15,651	205,466	3,256	5,152	702,637	21,928	954,090
New ordinary shares issued	14	554	33,118	-	-	-	-	33,672
Costs associated with the issue of new ordinary shares		-	(142)	-	-	-	-	(142)
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(73,559)	30,128	(43,431)
Dividends paid to Shareholders	9	-	-	-	-	-	(21,590)	(21,590)
Total Shareholders' funds at 31 August 2022		16,205	238,442	3,256	5,152	629,078	30,466	922,599

Cash Flow Statement

for the year ended 31 August 2023

	Notes	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Operating activities			
Investment income received		39,436	25,034
Net derivative income		5,934	9,133
Interest received		2,971	493
Investment management fees paid		(5,699)	(5,597)
Directors' fees paid		(173)	(157)
Other cash payments		(777)	(618)
Net cash inflow from operating activities before finance costs and taxation	20	41,692	28,288
Finance costs paid		(4,622)	(1,186)
Overseas taxation suffered		(1,119)	(783)
Net cash inflow from operating activities		35,951	26,319
Investing activities			
Purchases of investments		(429,178)	(359,829)
Sales of investments		368,171	347,076
Receipts on long CFDs		70,856	73,743
Payments on long CFDs		(45,085)	(80,763)
Movement on amounts held at futures clearing houses and brokers		8,190	(8,150)
Net cash outflow from investing activities		(27,046)	(27,923)
Net cash inflow/(outflow) before financing activities		8,905	(1,604)
Financing activities			
Dividends paid	9	(25,863)	(21,590)
Net proceeds from issue of shares		-	34,132
Costs associated with the issue of new ordinary shares		-	(142)
Net cash (outflow)/inflow from financing activities		(25,863)	12,400
Net (decrease)/increase in cash and cash equivalents		(16,958)	10,796
Cash and cash equivalents at the beginning of the year		80,450	63,780
Effect of movement in foreign exchange		(4,032)	5,874
Cash and cash equivalents at the end of the year		59,460	80,450
Represented by:			
Cash at bank		2,028	2,014
Amount held in Fidelity Institutional Liquidity Fund		57,432	78,436
		59,460	80,450

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in July 2022.

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. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 30 November 2024 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the risks faced by the Company as detailed in the Going Concern Statement on page 33.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as an emerging and a principal risk as set out on page 23 and on page 24, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102, investments are valued at fair value, which in active markets are quoted bid prices at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Directors' Report on page 33 takes account of all events and conditions up to 30 November 2024 which is at least twelve months from the date of approval of these Financial Statements.

b) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

c) Segmental reporting – The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

d) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue 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.

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

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

Interest received on CFDs, bank deposits, collateral and money market funds is accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represents the finance costs calculated by reference to the notional value of the CFDs.

Notes to the Financial Statements continued

2 Accounting Policies continued

f) Investment management fees and other expenses – Investment management fees and other expenses are accounted for on an accruals basis and are charged as follows:

- Investment management fees are allocated in full to revenue; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange – The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported 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.

h) Finance costs – Finance costs comprise interest on bank overdrafts and collateral and finance costs paid on CFDs, which are accounted for on an accruals basis. Finance costs are charged in full to the revenue column of the Income Statement.

i) Taxation – The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. 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.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. Deferred tax assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

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

k) Investments – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Unlisted investments are not quoted, or are not frequently traded, and are stated at the best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, meets quarterly to determine the fair value of unlisted investments.

The FVC provide a recommendation of fair values to the Board using market-based approaches such as multiples, industry valuation benchmarks and available market prices. Consideration is given to the cost of the investment, recent arm's length transactions in the same or similar investments and the financial performance of the investment since purchase. This pricing methodology is subject to a detailed review and appropriate challenge by the Directors.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within losses on investments in the capital column of the Income Statement and has disclosed these costs in Note 10 on page 66.

2 Accounting Policies continued

l) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs, futures, options and warrants. Derivatives are classified as other financial instruments and are initially accounted for and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long CFDs – the difference between the strike price and the value of the underlying shares in the contract;
- Futures – the difference between the contract price and the quoted trade price; and
- Options – value based on similar instruments or the quoted trade price for the contract.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included: for long CFDs, as gains or losses on long CFDs, and for short CFDs, futures and options as gains or losses on short CFDs, futures and options in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

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

n) Amounts held at futures clearing houses and brokers – These are amounts held in segregated accounts as collateral on behalf of brokers and are carried at amortised cost.

o) Cash and cash equivalents – Cash and cash equivalents may comprise cash at bank and money market funds which are short-term, highly liquid and are readily convertible to a known amount of cash. These are subject to an insignificant risk of changes in value.

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

q) Capital reserve – The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature; and
- Costs of repurchasing or issuing ordinary shares.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £9,684,000 (2022: losses of £9,389,000).

Notes to the Financial Statements continued

3 Income

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Investment income		
UK dividends	29,189	20,437
UK scrip dividends	-	85
Interest on securities	805	-
Overseas dividends	10,543	6,684
Overseas scrip dividends	-	23
	40,537	27,229
Derivative income		
Dividends received on long CFDs	3,180	9,906
Investment and derivative income	43,717	37,135
Other interest		
Interest received on bank deposits, collateral and money market funds	2,965	493
Interest received on tax reclaims	6	-
Interest received on long CFDs*	-	384
	2,971	877
Total income	46,688	38,012

Special dividends of £1,904,000 (2022: £372,000) have been recognised in capital during the year.

* Due to negative interest rates in the prior year, the Company received interest on some of its long CFDs.

4 Investment Management Fees

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Investment management fees	5,698	5,607

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 investment management fees at an annual rate of 0.60% of net assets. Fees are accrued on a daily basis and payable monthly.

5 Other Expenses

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
AIC fees	21	21
Custody fees	35	42
Depository fees	57	71
Directors' expenses	17	6
Directors' fees ¹	172	159
Legal and professional fees	82	95
Marketing expenses	303	191
Printing and publication expenses	116	115
Registrars' fees	68	70
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements ²	50	46
Sundry other expenses	27	22
Other expenses	948	838

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 42.

2 The VAT payable on audit fees is included in sundry other expenses.

6 Finance Costs

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Interest paid on long CFDs	4,761	1,231
Interest on bank overdrafts and collateral	13	12
	4,774	1,243

Notes to the Financial Statements continued

7 Taxation on Return/(Loss) on Ordinary Activities

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	672	196
Taxation charge for the year (see Note 7b)	672	196

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 25.00% (2022: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Net return/(loss) on ordinary activities before taxation	54,985	(43,235)
Net return/(loss) on ordinary activities before taxation multiplied by the blended rate of UK corporation tax of 21.52% (2022: 19.00%)	11,833	(8,215)
Effects of:		
Capital (gains)/losses not taxable*	(4,243)	13,976
Income not taxable	(8,550)	(5,173)
Excess management expenses	960	(588)
Overseas taxation	672	196
Total taxation charge for the year (see Note 7a)	672	196

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

c) Deferred taxation

A deferred tax asset of £17,235,000 (2022: £16,119,000), in respect of excess expenses of £68,940,000 (2022: £64,476,000) available to be set off against future taxable profits has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

The UK corporation tax rate increased from 19.00% to 25.00% from 1 April 2023. The rate of 25.00% has been applied to calculate the unrecognised deferred tax asset for the current year (2022: 25.00%).

8 Return/(Loss) per Ordinary Share

	Year ended 31.08.23	Year ended 31.08.22
Revenue return per ordinary share	10.67p	9.42p
Capital return/(loss) per ordinary share	6.08p	(23.00p)
Total return/(loss) per ordinary share	16.75p	(13.58p)

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	34,596	30,128
Net capital return/(loss) on ordinary activities after taxation	19,717	(73,559)
Net total return/(loss) on ordinary activities after taxation	54,313	(43,431)

	Number	Number
Weighted average number of ordinary shares held outside of Treasury	324,098,920	319,869,879

9 Dividends Paid to Shareholders

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Dividends paid		
Interim dividend of 2.53 pence per ordinary share paid for the year ended 31 August 2023	8,200	-
Final dividend of 5.45 pence per ordinary share paid for the year ended 31 August 2022	17,663	-
Interim dividend of 2.30 pence per ordinary share paid for the year ended 31 August 2022	-	7,454
Final dividend of 4.50 pence per ordinary share paid for the year ended 31 August 2021	-	14,136
	25,863	21,590
Dividends proposed		
Final dividend proposed of 6.27 pence per ordinary share for the year ended 31 August 2023	20,321	-
Final dividend proposed of 5.45 pence per ordinary share for the year ended 31 August 2022	-	17,663
	20,321	17,663

The Directors have proposed the payment of a final dividend of 6.27 pence per ordinary share for the year ended 31 August 2023 which is subject to approval by Shareholders at the Annual General Meeting on 14 December 2023 and has not been included as a liability in these Financial Statements. The dividend will be paid on 10 January 2024 to Shareholders on the register at the close of business on 1 December 2023 (ex-dividend date 30 November 2023).

Notes to the Financial Statements continued

10 Investments

	2023 £'000	2022 £'000
Listed investments	880,839	835,398
Unlisted investments	1,853	274
Total investments at fair value	882,692	835,672
Opening book cost	813,135	726,247
Opening investment holding gains	22,537	160,463
Opening fair value	835,672	886,710
Movements in the year		
Purchases at cost	426,404	361,407
Sales – proceeds	(367,363)	(348,004)
Losses on investments	(12,021)	(64,441)
Closing fair value	882,692	835,672
Closing book cost	914,377	813,135
Closing investment holding (losses)/gains	(31,685)	22,537
Closing fair value	882,692	835,672

The Company received £367,363,000 (2022: £348,004,000) from investments sold in the year. The book cost of these investments when they were purchased was £325,162,000 (2022: £274,519,000). These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

Investment transaction costs

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

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Purchases transaction costs	1,688	1,544
Sales transaction costs	167	195
	1,855	1,739

The portfolio turnover rate for the year was 44.2% (2022: 42.8%).

11 Derivative Instruments

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Gains/(losses) on long CFD positions closed	25,778	(7,013)
Movement in investment holding gains/(losses) on long CFDs	9,992	(7,979)
	35,770	(14,992)

	2023 Fair value £'000	2022 Fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	1,769	28
Derivative instrument liabilities	(949)	(9,200)
	820	(9,172)

	Fair value £'000	2023 Asset exposure £'000	Fair value £'000	2022 Asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	820	130,073	(9,172)	178,898

12 Debtors

	2023 £'000	2022 £'000
Securities sold for future settlement	117	924
Amounts receivable on settlement of derivatives	14	7
Accrued income	7,058	8,711
Overseas taxation recoverable	1,720	1,273
Other debtors and prepayments	28	25
	8,937	10,940

Notes to the Financial Statements continued

13 Other Creditors

	2023 £'000	2022 £'000
Securities purchased for future settlement	-	2,774
Finance costs payable	209	57
Creditors and accruals	651	650
	860	3,481

14 Share Capital

	Number of shares	2023 £'000	Number of shares	2022 £'000
Issued, allotted and fully paid ordinary shares of 5 pence each				
Total share capital – Beginning of the year	324,098,920	16,205	313,028,920	15,651
New ordinary shares issued	-	-	11,070,000	554
Total share capital – End of the year	324,098,920	16,205	324,098,920	16,205

During the year, no new ordinary shares were issued (2022: 11,070,000 shares). The premium received on the issue of new ordinary shares for the prior year ended 31 August 2022 was £33,118,000 and was credited to the share premium account. At 31 August 2023, no shares were held in Treasury.

15 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non-distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Shareholders' funds £'000
At 1 September 2022	16,205	238,442	3,256	5,152	629,078	30,466	922,599
Losses on investments (see Note 10)	-	-	-	-	(12,021)	-	(12,021)
Gains on long CFDs (see Note 11)	-	-	-	-	35,770	-	35,770
Foreign exchange losses	-	-	-	-	(4,032)	-	(4,032)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	34,596	34,596
Dividends paid to Shareholders (see Note 9)	-	-	-	-	-	(25,863)	(25,863)
At 31 August 2023	16,205	238,442	3,256	5,152	648,795	39,199	951,049

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non-distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Shareholders' funds £'000
At 1 September 2021	15,651	205,466	3,256	5,152	702,637	21,928	954,090
Losses on investments (see Note 10)	-	-	-	-	(64,441)	-	(64,441)
Losses on long CFDs (see Note 11)	-	-	-	-	(14,992)	-	(14,992)
Costs associated with the issue of new ordinary shares	-	(142)	-	-	-	-	(142)
Foreign exchange gains	-	-	-	-	5,874	-	5,874
New ordinary shares issued	554	33,118	-	-	-	-	33,672
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	30,128	30,128
Dividends paid to Shareholders (see Note 9)	-	-	-	-	-	(21,590)	(21,590)
At 31 August 2022	16,205	238,442	3,256	5,152	629,078	30,466	922,599

The capital reserve balance at 31 August 2023 includes investment holding losses of £31,685,000 (2022: gains of £22,537,000) as detailed in Note 10 above. The revenue and capital reserves are distributable by way of dividend. See Note 2 (a) above for further details.

Notes to the Financial Statements continued

16 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the total Shareholders' funds divided by the number of ordinary shares held outside of Treasury.

	2023	2022
Total Shareholders' funds	£951,049,000	£922,599,000
Ordinary shares held outside of Treasury at year end	324,098,920	324,098,920
Net asset value per ordinary share	293.44p	284.67p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

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 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, economic and political, investment performance (including the use of derivatives and gearing), cybercrime and information security, environmental, social and governance ("ESG"), competition, business continuity, key person and operational support, discount control and regulatory. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 23 to 25.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

- Equity shares (listed and unlisted) and bonds held in accordance with the Company's investment objective and policies;
- Derivative instruments which comprise CFDs, futures and options on listed stocks and equity indices; and
- Cash, liquid resources and short-term debtors and creditors that arise from its operations.

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

17 Financial Instruments continued

MARKET PRICE RISK

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The Board imposes limits to ensure gearing levels are appropriate. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Interest rate risk exposure

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

	2023 £'000	2022 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	129,253	188,070
Exposure to financial instruments that earn interest		
Amounts held at futures clearing houses and brokers	–	8,190
Cash and cash equivalents	59,460	80,450
	59,460	88,640
Net exposure to financial instruments that bear interest	69,793	99,430

Due to negative interest rates in the prior year, the Company received interest on some of its long CFD positions.

Foreign currency risk

The Company does not carry out currency speculation. The Company's net return/(loss) on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange movements because the Company has income and assets which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short-term exposure to exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

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; 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.

Notes to the Financial Statements continued

17 Financial Instruments continued

Currency exposure of financial assets

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

Currency	Investments held at fair value £'000	Long exposure to derivative instruments ¹ £'000	Debtors £'000	Cash and cash equivalents ² £'000	2023
					Total £'000
Euro	67,412	77,457	823	–	145,692
US dollar	31,515	–	722	36,855	69,092
Swiss franc	36,842	–	224	–	37,066
Swedish krona	14,175	–	–	–	14,175
Australian dollar	7,782	–	49	–	7,831
Norwegian krone	4,841	–	–	–	4,841
South African rand	2,468	–	–	–	2,468
Canadian dollar	1,703	–	–	29	1,732
UK sterling	715,954	52,616	7,119	22,576	798,265
	882,692	130,073	8,937	59,460	1,081,162

1 The exposure to the market of long CFDs.

2 Cash and cash equivalents are made up of £2,028,000 cash at bank and £57,432,000 held in Fidelity Institutional Liquidity Fund.

Currency	Investments held at fair value £'000	Long exposure to derivative instruments ¹ £'000	Debtors ² £'000	Cash and cash equivalents ³ £'000	2022
					Total £'000
Euro	69,765	71,606	316	–	141,687
US dollar	6,665	–	117	39,679	46,461
Swiss franc	20,631	–	376	–	21,007
Swedish krona	16,309	–	–	–	16,309
Australian dollar	12,179	–	–	–	12,179
Norwegian krone	6,377	–	–	–	6,377
Emirati dirham	4,780	–	–	–	4,780
South African rand	2,711	142	–	–	2,853
Danish krone	–	–	71	–	71
Canadian dollar	–	–	–	33	33
UK sterling	696,255	107,150	18,250	40,738	862,393
	835,672	178,898	19,130	80,450	1,114,150

1 The exposure to the market of long CFDs.

2 Debtors include amounts held at futures clearing houses and brokers.

3 Cash and cash equivalents are made up of £2,014,000 cash at bank and £78,436,000 held in Fidelity Institutional Liquidity Fund.

17 Financial Instruments continued

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. The Company's financial liabilities comprise other creditors. The currency profile of these financial liabilities is shown below:

Currency	2023 Other creditors £'000	2022 Other creditors £'000
Euro	-	6
Swiss franc	135	2,141
UK sterling	725	1,334
	860	3,481

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 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 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. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's internal Risk Management Process Document.

Liquidity risk

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

Liquidity risk exposure

At 31 August 2023, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £949,000 (2022: £9,200,000) and other creditors of £860,000 (2022: £3,481,000).

Counterparty risk

Certain 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 and Derivatives 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 derivative transactions, collateral is used to reduce the risk of both parties to the contract. All collateral amounts are held in UK sterling and are managed on a daily basis for all relevant transactions. At 31 August 2023, £580,000 (2022: £nil) was held by the brokers in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised: J.P. Morgan Securities plc £220,000 (2022: £nil) and HSBC Bank plc £360,000 (2022: £nil). At 31 August 2023, there were no amounts held by the Company at futures clearing houses and brokers, in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers (2022: £8,190,000). In the year to 31 August 2022, this collateral comprised: J.P. Morgan Securities plc £5,140,000 in cash and HSBC Bank plc £3,050,000 in cash.

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions and derivative instrument contracts and cash at bank.

Notes to the Financial Statements continued

17 Financial Instruments continued

Derivative instrument risk

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented Derivative Risk Measurement and Management Document. Derivative instruments are used by the Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- To hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market; and
- To position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over-valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 August 2023, an increase of 1.00% in interest rates throughout the year, with all other variables held constant, would have decreased the Company's net gain on ordinary activities after taxation for the year and decreased the net assets of the Company by £698,000 (2022: increased the net loss and decreased the net assets by £994,000). A decrease of 1.00% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 August 2023, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have decreased the Company's net gain on ordinary activities after taxation for the year and decreased the net assets of the Company by £25,706,000 (2022: increased the net loss and decreased the net assets by £22,692,000). A 10% weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have increased the Company's net gain on ordinary activities after taxation for the year and increased the net assets of the Company by £31,418,000 (2022: decreased the net loss and increased the net assets by £27,734,000).

Other price risk- exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 August 2023, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £88,084,000 (2022: decreased the net loss and increased the net assets by £83,540,000). A decrease of 10% in share prices would have had an equal and opposite effect.

An increase of 10% in the valuation of unlisted investments held at 31 August 2023, would have increased the Company's net gain on ordinary activities after taxation for the year and increased the net assets of the Company by £185,300 (2022: decreased the net loss after taxation and increased the net assets by £27,000). A decrease of 10% in the valuation would have had an equal and opposite effect.

Other price risk - net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 August 2023, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net gain on ordinary activities after taxation for the year and increased the net assets of the Company by £13,007,000 (2022: decreased the net loss and increased the net assets by £17,890,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (k) and (l) on pages 60 and 61, investments and derivative instruments are shown at fair value.

17 Financial Instruments continued

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 inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
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 Notes 2 (l) and (m) on page 61. The table below sets out the Company's fair value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 Total £'000
Financial assets at fair value through profit or loss				
Investments	857,351	23,246	2,095	882,692
Derivative instrument assets	-	1,769	-	1,769
	857,351	25,015	2,095	884,461
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(949)	-	(949)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2022 Total £'000
Financial assets at fair value through profit or loss				
Investments	835,224	-	448	835,672
Derivative instrument assets	-	28	-	28
	835,224	28	448	835,700
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(9,200)	-	(9,200)

Notes to the Financial Statements continued

17 Financial Instruments continued

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

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Beginning of the year	448	957
Sales – proceeds	–	(716)
Sales – gains	–	278
Transfer into level 3 at cost - Prax Exploration & Production and Unbound Group*	1,942	9,499
Movement in investment holding losses	(295)	(9,570)
End of the year	2,095	448

* Financial instruments are transferred into level 3 on the date they are suspended, delisted or when they have not traded for thirty days.

Marwyn Value Investors

Marwyn Value Investors is a closed-ended fund incorporated in the United Kingdom. The fund is highly illiquid and the valuation at 31st August 2023 is based on the indicative bid price in the absence of a last trade price. As at 31 August 2023, its fair value was £242,000 (2022: £174,000).

TVC Holdings

TVC Holdings is an unlisted investment holding company incorporated in Ireland. The valuation at 31 August 2023 is based on the NAV from the 2022 audited company's financial report. As at 31 August 2023, its fair value was £254,000 (2022: £274,000).

Studio Retail Group

Studio Retail Group operated as a multi-channel retail company. On 14 February 2022, the company was suspended from trading on the London Stock Exchange. The company is now delisted and in administration. As at 31 August 2023, its fair value was £nil (2022: £nil).

McColl's Retail Group

McColl's Retail Group owns and operates convenience and newsagent stores. The company was suspended from trading on 6 May 2022 after appointing administrators. As at 31 August 2023, its fair value was £nil (2022: £nil).

Prax Exploration & Production

Hurricane Energy plc, an oil and gas exploration company, delisted from the London Stock Exchange in June 2023, after it was acquired by Prax Exploration & Production plc. The valuation at 31 August 2023 of Prax Exploration & Production plc is based on the last trade of Hurricane Energy less the cash payment received from the acquisition. As at 31 August 2023, its fair value was £1,599,000 (2022: £nil).

Unbound Group

Unbound Group plc is a UK based company engaged in selling a range of brands focused on the over 55 age demographics. On 17 July 2023, the company stopped trading and has subsequently gone into administration. As at 31 August 2023, its fair value was £nil (2022: £nil).

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 in the Balance Sheet on page 56 and any gearing, which is managed by 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 Strategic Report on page 21. The principal risks and their management are disclosed in the Strategic Report on pages 23 to 25 and in Note 17 above.

The Company's gearing at the year end is set out below:

	2023 Asset exposure		2022 Asset exposure	
	£'000	% ¹	£'000	% ¹
Investments	882,692	92.8	835,672	90.6
Long CFDs	130,073	13.7	178,898	19.4
Total asset exposures	1,012,765	106.5	1,014,570	110.0
Shareholders' funds	951,049		922,599	
Gearing²		6.5%		10.0%

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

² Gearing is the amount by which Asset Exposure exceeds Shareholders' funds expressed as a percentage of 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 current fee arrangements are given in the Directors' Report on page 33 and in Note 4 on page 62. During the year, fees payable to FIL for portfolio management services were £5,698,000 (2022: £5,607,000). At the Balance Sheet date, fees for portfolio management services of £483,000 (2022: £484,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £303,000 (2022: £191,000). At the Balance Sheet date, marketing services of £nil (2022: £13,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Director's fees and taxable expenses relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 42 and 43. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £18,000 (2022: £17,000) of Employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £14,000 (2022: £15,000) were accrued and payable.

20 Reconciliation of Net Return/(Loss) on Ordinary Activities before Finance Costs and Taxation to Net Cash Inflow from Operating Activities before Finance Costs and Taxation

	Year ended 31.08.23 £'000	Year ended 31.08.22 £'000
Net total return/(loss) on ordinary activities before finance costs and taxation	59,759	(41,992)
Net capital (return)/loss on ordinary activities before finance costs and taxation	(19,717)	73,559
Net revenue return on ordinary activities before finance costs and taxation	40,042	31,567
Scrip dividends	-	(108)
Decrease/(increase) in debtors	1,650	(3,208)
Increase in other creditors	-	37
Net cash inflow from operating activities before finance costs and taxation	41,692	28,288

Alternative Performance Measures

Discount/Premium

The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the NAV per ordinary share of the Company and the ordinary share price and is expressed as a percentage of the NAV per ordinary share. Details of the Company's discount/premium are on the Financial Highlights page and are both defined in the Glossary of Terms on pages 90 and 91.

Gearing

Gearing is considered to be an Alternative Performance Measure. See Note 18 on page 77 for details of the Company's gearing.

Net Asset Value ("NAV") per Ordinary Share

The NAV per ordinary share is considered to be an Alternative Performance Measure. See the Balance Sheet on page 56 and Note 16 on page 70 for further details.

Ongoing Charges Ratio

Ongoing charges ratio are considered to be an Alternative Performance Measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of management fees and other expenses expressed as a percentage of the average net assets throughout the year.

	2023	2022
Investment management fees (£'000)	5,698	5,607
Other expenses (£'000)	948	838
Ongoing charges (£'000)	6,646	6,445
Average net assets (£'000)	949,787	934,785
Ongoing charges ratio	0.70%	0.69%

Revenue, Capital and Total Returns per Share

Revenue, capital and total returns per share are considered to be Alternative Performance Measures. See the Income Statement on page 55 and Note 8 on page 65 for further details.

Total Return Performance

Total return performance is considered to be an Alternative Performance Measure. The NAV per ordinary share total return includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. The ordinary share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAV per ordinary share and the ordinary share price of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 August 2023 and 31 August 2022.

	Net asset value per ordinary share	Share price
2023		
31 August 2022	284.67p	260.50p
31 August 2023	293.44p	267.50p
Change in year	+3.1%	+2.7%
Impact of dividend reinvestment	+2.8%	+2.9%
Total return for the year	+5.9%	+5.6%

	Net asset value per ordinary share	Share price
2022		
31 August 2021	304.79p	308.50p
31 August 2022	284.67p	260.50p
Change in year	-6.6%	-15.6%
Impact of dividend reinvestment	+2.2%	+2.1%
Total return for the year	-4.4%	-13.5%

Financial Calendar

The key dates in the Company's calendar are:

31 August 2023 – Financial Year End

7 November 2023 – Announcement of the annual results for the year ended 31 August 2023

November 2023 – Publication of the Annual Report

30 November 2023 – Ex-Dividend Date

1 December 2023 – Dividend Record Date

14 December 2023 – Annual General Meeting

10 January 2024 – Payment of Final Dividend

29 February 2024 – Half-Year End

April 2024 – Announcement of the Half-Yearly Results for the six months to 29 February 2024

April 2024 – Publication of the Half-Yearly Report

May 2024 – Ex-Dividend and Dividend Record Date

June 2024 – Payment of Interim Dividend

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Special Values PLC will be held 4 Cannon Street, London EC4M 5AB and virtually via the Lumi AGM meeting platform on Thursday, 14 December 2023 at 11.00 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 August 2023.
2. To declare that a final dividend for the year ended 31 August 2023 of 6.27 pence per ordinary share be paid to Shareholders on the register as at close of business on 1 December 2023.
3. To re-elect Mrs Claire Boyle as a Director.
4. To re-elect Mr Dean Buckley as a Director.
5. To re-elect Mr Ominder Dhillon as a Director.
6. To re-elect Mr Nigel Foster as a Director.
7. To re-elect Mrs Alison McGregor as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed "The Remuneration Policy" set out on page 41) for the year ended 31 August 2023.
9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
10. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, pass the following special business resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12 and 13 as special resolutions.

Authority to Allot Ordinary Shares and Disapply Pre-emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of new ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary Shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 6 November 2023. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's Shareholders to do so. Any ordinary shares held in Treasury would be re-issued at net asset value ("NAV") per ordinary share or at a premium to NAV per ordinary share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per ordinary share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,620,494 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 6 November 2023) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.
12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,620,494 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 6 November 2023); and
 - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per ordinary share,

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this Resolution had not expired.



Notice of Meeting continued

Authority to Repurchase Shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 6 November 2023 either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held In Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per ordinary share, thereby resulting in an increased NAV per ordinary share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5 pence each ("the shares") in the capital of the Company provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 48,582,428;
 - b) the minimum price which may be paid for a share is 5 pence;
 - c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
 - i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Official List for the five business days immediately preceding the day of purchase; and
 - ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;
 - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is earlier, unless such authority is renewed prior to such time; and
 - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at www.signalshares.com, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your Form of Proxy.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 11.00 am on Tuesday, 12 December 2023. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00 am on Tuesday, 12 December 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11.00 am on Tuesday, 12 December 2023.

By Order of the Board

FIL Investments International

Secretary

6 November 2023

6. Proxymity Voting – If you are an institutional investor, you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by no later than 11.00 am on Tuesday, 12 December 2023 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
7. Unless otherwise indicated on the Form of Proxy, CREST, Proximity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
8. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Tuesday, 12 December 2023. Shareholders are urged to vote using the proxy form provided or electronically where permitted by your nominee or platform.
9. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site: <https://web.lumiagm.com>. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will be asked to enter the **Lumi Meeting ID** which is **102-255-614**. You will then be prompted to enter your unique 11 digit Investor Code ("IVC") including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (www.signalshares.com) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling **+44 (0) 371 277 1020***.

Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting

declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company's pages of the Manager's website at: www.fidelity.co.uk/specialvalues.

If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on **+44 (0) 371 277 1020*** in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your shares are held within a nominee / platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **102-255-614**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

* Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

10. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman,

Notice of Meeting continued

- result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Tuesday, 12 December 2023. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
 13. As at 6 November 2023 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 324,098,920 ordinary shares carrying one vote each. No shares were held by the Company in Treasury, therefore, the total number of shares with voting rights in the Company was 324,098,920.
 14. Any corporation which is a member can appoint one or more corporate representative who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 15. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
 16. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
 17. No Director has a service contract with the Company. Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.
 18. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/specialvalues.
- Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Shareholder Information

Investing in Fidelity Special Values PLC

Fidelity Special Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages of the Manager's website at: www.fidelity.co.uk/specialvalues.

CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at: www.fidelity.co.uk/its.

Shareholders on the main share register

Contact Link Group, Registrar to Fidelity Special Values PLC, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: shareholderenquiries@linkgroup.co.uk

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at www.signalshares.com. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth, Surrey KT20 9FU.

Website: www.fidelity.co.uk

Private investors: call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

General Enquiries

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: **01737 836347**

Email: investmenttrusts@fil.com

Website: www.fidelity.co.uk/its

If you hold Fidelity Special Values PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (the AIFM/Manager)

FIL Investment Services (UK) Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Investment Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: investmenttrusts@fil.com

Banker and Custodian

JPMorgan Chase Bank (London Branch)
125 London Wall
London
EC2Y 5AJ

Depository

J.P. Morgan Europe Limited
25 Bank Street
London
E14 5JP

Financial Adviser and Stockbroker

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London
EC4R 2GA

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Simmons and Simmons LLP
1 Ropemaker Street
London
EC2Y 9SS

Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company Information

The Company was launched on 17 November 1994. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of ordinary shares on a five for one basis on 29 June 2015, the Company's share capital now comprises ordinary shares of 5 pence each and the restated original subscription price is 20 pence for each ordinary share.

The Company is a member of The Association of Investment Companies (the "AIC") from whom general information on investment trusts can be obtained by telephoning **020 7282 5555** (email: enquiries@theaic.co.uk).

Price Information

The share price of Fidelity Special Values PLC is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at: www.fidelity.co.uk/specialvalues

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** or FT Cityline on **0905 817 1690** (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity Special Values PLC is FSV.L, the SEDOL is BWXC7Y9 and the ISIN is GB00BWXC7Y93.

Net Asset Value ("NAV") Information

The Company's NAV is calculated and released to the London Stock Exchange on a daily basis.

UK Capital Gains Tax

All UK individuals under present legislation are permitted to have £6,000 of capital gains in the current tax year 2023/2024 (2022/2023: £12,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Data Protection

General Data Protection Regulation (“GDPR”)

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its Shareholders, for example, the Annual Report and other documents that relate to meetings of the Company. The Company will, therefore, collect Shareholders’ personal data such as names, addresses and identification numbers or investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity’s Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company’s Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at <https://investment-trusts.fidelity.co.uk/security-privacy/>

The Company’s agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its Shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders’ personal data across national borders to Fidelity Group entities operating in the European Economic Area (“EEA”). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity group but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

Retention period

Personal data will be kept for as long as is necessary for these purposes and no longer than legally permitted to do so.

Requesting access, making changes to personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity’s UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management of assets and company secretarial function to FIL Investments International. Details of the Management Agreement can be found in the Directors' Report on page 33.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	<p>Details of the Company's investment objective, policy and strategy, including investment limits, are on pages 21 and 22.</p>
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 23 to 25 and in Note 17 to the Financial Statements on pages 70 to 76.</p>
Valuation of illiquid assets	<p>The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.</p>	<p>As at the date of this report, none of the Company's assets were subject to special arrangements arising from its illiquid nature.</p>

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to UK companies and currently holds derivative instruments. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage - the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 August 2023, actual leverage was 1.13 for the Gross Method and 1.14 for the Commitment Method.</p>
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 73.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B); and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page

EU Securities Financing Transactions Regulations ("SFTR")

The following disclosures relate to contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016.

As at 31 August 2023, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
HSBC Bank plc (UK)	249	0.03%	360	-
Morgan Stanley & Co International plc (UK)	107	0.01%	-	-
UBS AG (UK)	59	0.01%	-	-
J.P. Morgan Securities plc (UK)	390	0.04%	220	-
Goldman Sachs International Ltd (UK)	15	0.00%	-	-

Collateral held by the broker was held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 August 2023 from CFDs was a gain of £34,189,000.

Glossary of Terms

AAF Report

A report prepared in accordance with the Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC

The Association of Investment Companies ("AIC"). The Company is a member of the AIC.

AIF

Alternative Investment Fund ("AIF"). The Company is an AIF.

AIFM

Alternative Investment Fund Manager ("AIFM"). The Board has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM (the Manager).

AIFMD

The Alternative Investment Fund Managers' Directive ("AIFMD") is a European Union Directive implemented on 22 July 2014.

Alternative Performance Measures

The Company uses the following [Alternative Performance Measures](#) which are all defined in this Glossary of Terms:

- Discount/Premium;
- Gearing;
- Net Asset Value (NAV) per Ordinary Share;
- Ongoing Charges Ratio;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Share Price Total Return).

Asset Exposure

The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of [derivatives](#)).

Benchmark Index

FTSE All-Share Index against which the performance of the Company is measured.

Block Listing

A facility that allows the Company to issue new ordinary shares to meet demand in the market over a period of time.

Capital Gains Tax (CGT)

The tax you may have to pay if you sell your shares at a profit.

Collateral

Assets provided as security for the unrealised gain or loss under a [contract for difference](#).

Contract For Difference (CFD)

A [contract for difference](#) is a [derivative](#). It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [contract for difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as [collateral](#). The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received.

Corporation Tax

The UK tax the Company may have to pay on its profits. As an investment trust company, the Company is exempt from UK [corporation tax](#) on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income, and consequently it is tax efficient for the Company.

Custodian

An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's [Custodian](#) is JPMorgan Chase Bank.

Depository

An entity that oversees the custody, cash arrangements and other [AIFM](#) responsibilities of the Company. J.P.Morgan Europe Limited act as the Company's [Depository](#).

Derivatives

Financial instruments (such as [futures](#), [options](#) and [contracts for difference](#)) whose value is derived from the value of an underlying asset or other financial instrument.

Discount

If the share price of the Company is lower than the [net asset value per ordinary share](#), the Company's shares are said to be trading at a [discount](#). It is shown as a percentage of the [net asset value per ordinary share](#).

Fair Value

The [fair value](#) is the best measure of the realisable value of the investments, including [derivatives](#), at a point in time and is measured as:

- **Listed and AIM quoted investments** – valued at bid prices or last market prices as available, otherwise at published price quotations;
- **Unlisted investments** – valued using an appropriate valuation technique in the absence of an active market;
- **Contracts for difference** – valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses); and

- **Futures and options** – valued at the quoted trade price for the contract.

Fidelity International (Fidelity)

FIL Limited and its subsidiary group companies including FIL Investment Services (UK) Limited and FIL Investments International which act as **AIFM**, Secretary and **Investment Manager**.

Future

An agreement to buy or sell a stated amount of an asset at a specific future date and a pre-agreed price.

Gearing

The economic exposure of the portfolio to its underlying assets in excess of total net assets. It represents the additional exposure to the market above **Shareholders' Funds**. The Company uses two measures of **gearing** (**Gross Gearing** and **Net Gearing**) which are both defined in this Glossary of Terms.

Gross Asset Exposure

The value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the **derivatives**). It is the sum total of all **Asset Exposures**.

Gross Gearing

Gross Asset Exposure in excess of **Shareholders' funds**.

Hedging

A strategy aimed at minimising or eliminating the risk or loss through adverse movements normally involving taking a position in a **derivative** such as a **future** or an **option**.

Investment Manager

FIL Investments International.

Manager

FIL Investment Services (UK) Limited is the appointed **Manager** under the **AIFMD**. It has delegated the portfolio management of assets to the **Investment Manager**.

Net Assets or Net Asset Value (NAV)

Also described as "**Shareholders' funds**", **net assets** represent the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the **net asset value** on a per ordinary share basis.

Net Asset Value per Ordinary Share

The **net asset value** divided by the number of ordinary shares in issue.

Net Gearing

Net Market Exposure in excess of **Shareholders' funds**.

Net Market Exposure

Net Market Exposure is the total of all long exposures, less short exposures and less exposures **hedging** the portfolio.

Ongoing Charges Ratio

Total operational expense (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily **net asset values** for the reporting year.

Options

An **option** is a contract which gives the right but not the obligation to buy or sell an underlying asset at an agreed price on or before an agreed date. **Options** may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

Portfolio Manager

Alex Wright is the appointed **Portfolio Manager** of the Company and is responsible for managing the Company's assets.

Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held to existing Shareholders. At each Annual General Meeting, the Board seeks Shareholder approval to disapply **pre-emption rights** provision, up to 10% of the Company's issued share capital.

Premium

If the share price of the Company is higher than the **net asset value per ordinary share**, the Company's shares are said to be trading at a **premium**. The **premium** is shown as a percentage of the **net asset value per ordinary share**.

Registrar

An entity that manages the Company's Shareholder register. The Company's **Registrar** is Link Group.

Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares. It is not distributable by way of dividends and it cannot be used to fund share repurchases.
- **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 dividends and it cannot be used to fund share repurchases.
- **Other non-distributable reserve** represents amounts transferred from the warrant reserve. It is not distributable by way of dividends and it cannot be used to fund share repurchases.
- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund repurchases and issuance of shares from Treasury and it is distributable by way of dividends.

Glossary of Terms continued

- **Revenue reserve** represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividends.

Return

The [return](#) generated in a given period from investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of expenses, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any revenue return; and
- **Total Return** reflects the aggregate of revenue and capital returns.

Shareholders' Funds

[Shareholders' funds](#) are also described as "net asset value" and represent the total value of the Company's assets less the total value of its liabilities as shown in the balance sheet.

Total Return Performance

The return on the share price or [net asset value per ordinary share](#) taking into account the rise and fall of share prices and the dividends paid to Shareholders. Any dividends received by the Shareholder are assumed to have been reinvested for additional shares (for share price total return) or in the Company's assets (for [net asset value](#) total return).

Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not receive dividends, have no voting rights and are excluded from the [net asset value per ordinary share](#) calculation.



Fidelity, Fidelity International, the Fidelity International logo and **F** symbol are trademarks of FIL Limited

Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Revive 100 Silk, a white triple coated sheet that is manufactured from FSC® Recycled certified fibre derived from 100% pre and post-consumer wastepaper containing 100% recycled fibre. The FSC® label on this product ensures responsible use of the world's forest resources.

