



# FIDELITY EUROPEAN TRUST PLC

Half-Yearly Report for the  
six months ended 30 June 2022



**Fidelity**<sup>TM</sup>  
INTERNATIONAL

# Investment Objective and Overview

**The Company aims to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.**

Fidelity European Trust PLC aims to be the cornerstone long term investment of choice for those seeking European exposure across market cycles.

The reporting period was dominated by the Ukrainian crisis and threats from Russia, the energy crisis and supply chain disruptions affecting various industries, and inflation surpassing levels not seen in the Eurozone area since 2008.

Sam Morse and Marcel Stötzel, your Portfolio Managers, adopt a cautious investment approach, building a balanced

portfolio which aims among other things to manage the risk of adverse developments. The focus on attractively valued dividend growers with strong balance sheets has remained an appealing feature of the Company. The Portfolio Managers' rigorous approach to stock selection has benefited shareholders during the difficult past two years, and should continue to do so in the future.

Vivian Bazalgette, Chairman

**FT** **Awards 2021**  
EUROPEAN EQUITY - ACTIVE



**Kepler**  
**GROWTH**  
**RATING 2022**

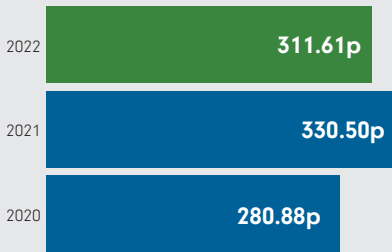
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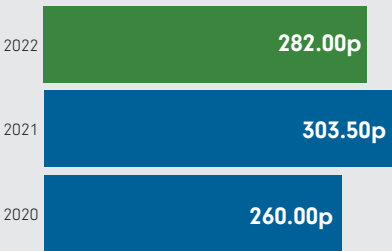
## Portfolio Managers' Half-Yearly Review

Read more on pages 04 to 06

### Net Asset Value per Ordinary Share as at 30 June



### Ordinary Share Price as at 30 June



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## At a Glance

Six months ended 30 June 2022

**Net Asset Value per  
Ordinary Share  
total return<sup>1,2</sup>**

**-12.0%**

(30 June 2021: +12.9%)

**Ordinary Share Price  
total return<sup>1,2</sup>**

**-16.0%**

(30 June 2021: +7.6%)

**FTSE World Europe (ex UK)  
Index total return<sup>1,3</sup>**

**-15.1%**

(30 June 2021: +10.9%)

**Interim Dividend per  
Ordinary Share**

**3.08p**

(30 June 2021: 2.65p)

1 Includes reinvested income.

2 Alternative Performance Measures (see Glossary of Terms on page 31).

3 The Company's Benchmark Index.

### As at 30 June 2022

#### Shareholders' Funds

**£1,280.8m**

#### Market Capitalisation

**£1,159.1m**

#### Capital Structure

**Ordinary Shares of 2.5 pence held outside  
of Treasury**

**411,016,049**

### Summary of the key aspects of the Investment Policy

The Investment Manager will typically focus on larger companies which show good prospects for sustainable long term dividend growth. The Investment Manager is not restricted in terms of size, industry or geographical split.

The Company predominantly invests in equities but may also invest into other transferable securities, investment companies, money market instruments, cash and deposits. It is also able to use derivatives: for efficient portfolio management, in order to gain additional market exposure (gearing) and for investment purposes.

The Investment Manager works within the guidelines set out in the Investment Policy.



# Financial Highlights

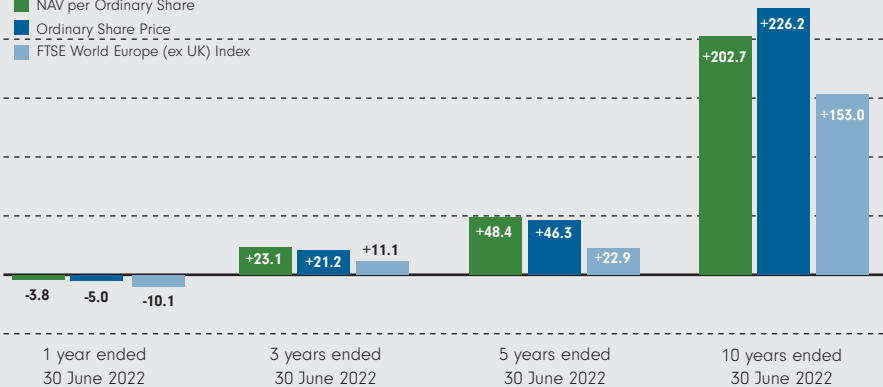
	30 June 2022	31 December 2021
<b>Assets</b>		
Gross Asset Exposure <sup>1</sup>	<b>£1,420.0m</b>	£1,638.2m
Gross Gearing <sup>2</sup> (see Note 13 on page 25)	<b>10.9%</b>	11.1%
Net Asset Exposure	<b>£1,420.0m</b>	£1,638.2m
Net Gearing <sup>2</sup> (see Note 13 on page 25)	<b>10.9%</b>	11.1%
Shareholders' Funds	<b>£1,280.8m</b>	£1,474.2m
Net Asset Value ("NAV") per Ordinary Share <sup>2</sup>	<b>311.61p</b>	358.68p
<b>Ordinary Share Price and Discount data</b>		
Ordinary Share Price at the period end	<b>282.00p</b>	340.50p
Discount at the period end <sup>2</sup>	<b>9.5%</b>	5.1%
<b>Results for the six months ended 30 June – see pages 12 and 13</b>		
	<b>2022</b>	<b>2021</b>
Revenue Return per Ordinary Share <sup>2</sup>	<b>7.08p</b>	5.28p
Capital (Loss)/Return per Ordinary Share <sup>2</sup>	<b>(49.97p)</b>	32.55p
Total (Loss)/Return per Ordinary Share <sup>2</sup>	<b>(42.89p)</b>	37.83p
Interim Dividend per Ordinary Share	<b>3.08p</b>	2.65p

1 The value of the portfolio exposed to market price movements.

2 Alternative Performance Measures.

## Total Return Performance<sup>1</sup> (%)

■ NAV per Ordinary Share  
■ Ordinary Share Price  
■ FTSE World Europe (ex UK) Index



1 See Glossary of Terms on page 34.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

# Portfolio Managers' Half-Yearly Review

## Performance Review

During the first six months of the year the net asset value ("NAV") total return was -12.0% compared to a total return of -15.1% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was -16.0%, which is below the NAV total return because of a widening of the share price discount to NAV. (All figures in UK sterling.)

## Market Review

Continental European markets fell sharply in the first half of this year, as investors fretted about the likely consequences of rising inflation, exacerbated by the war in Ukraine.

The year kicked off with a marked rotation from so-called 'growth' to 'value' stocks as investors anticipated an acceleration in interest rate rises by central banks to curtail inflation. Companies with little fundamental support, in terms of earnings or dividends, were hit particularly hard (the Company benefits from being underweight in these companies). The invasion of Ukraine led to an increasingly risk-off tone with defensive sectors, such as healthcare, benefiting at the expense of more cyclical sectors, such as banks, as stagflation became a popular economic prediction. The market fall accelerated towards the end of the period when the Federal Reserve surprised with a 0.75% interest rate rise showing that it was willing to risk recession in order to rein in inflation.

Although share prices have been very weak during the period, company earnings in continental Europe have continued to rise and, until very recently, were even upgraded. The fall in the market has seen a very significant derating of valuation multiples, albeit from unusually high levels. The stock market is considered a leading indicator and may, therefore, be signalling trouble ahead, but managements of companies are typically more upbeat, and we have noted an increase in

directors buying shares in their own companies, and also an increase in M&A activity (which has significantly boosted two holdings in the portfolio). Time will tell if their optimism proves misplaced.

## Portfolio Managers' Report

Although the absolute return is very disappointing, the Company's cautious approach to investing has meant that the NAV has fallen less than the market as a whole. The NAV has outperformed the Company's Benchmark Index over the six months by just over 3%. This outperformance was despite the gearing of the Company which was maintained throughout the period at around 12%.

The contribution from stock-picking has been strong during this period. This has been particularly boosted by takeover bids for two companies in which the Company has significant holdings. Swedish Match has agreed to be acquired by Philip Morris International at a substantial premium to its trading price, while Atlantia is being acquired by its controlling shareholder in partnership with a private equity company. In terms of corporate activity, Société des Bains de Mer de Monaco has also benefited from crystallising its long-held investment in the on-line gaming company Betclac. Deutsche Börse Group was also a strong performer during the period benefiting from heightened volatility which drives higher volumes on its derivatives exchange Eurex and higher interest rates which boost interest income earned on customer balances held at Clearstream.

By contrast, some of the big winners of previous years suffered in the market derating, particularly perceived 'growth' stocks trading at high multiples, such as ASML, and the private equity companies Partners Group and EQT. The luxury goods companies, particularly Hermès International, were also derated significantly,

despite decent earnings results, as investors feared that lockdowns in China would become more impactful and that the general outlook for consumer spending would weaken. Very low, or even negative, bond yields have supported high valuations of such long duration 'growth' names for many years. That valuation support has been removed swiftly as inflation expectations and

bond yields have risen. These are companies, however, that enjoy strong pricing power, so their fundamental prospects remain attractive, particularly in a more inflationary era. At the right price, these names are likely to resume their strong contribution to the longer term performance of the Company.

#### Five Highest Contributors to NAV total return

	Sector	Country	%
Swedish Match	Consumer Staples	Sweden	+1.4
Deutsche Börse Group	Financials	Germany	+0.7
TotalEnergies	Energy	France	+0.7
Sanofi	Health Care	France	+0.7
Bankinter	Financials	Spain	+0.6

#### Five Highest Detractors to NAV total return

	Sector	Country	%
EQT	Financials	Sweden	-0.6
Novartis	Health Care	Switzerland	-0.5
Partners Group	Financials	Switzerland	-0.5
ASML	Technology	Netherlands	-0.5
Legrand	Industrials	France	-0.4

### Outlook

To date, consumer spending is holding up, but consumer confidence is falling, and inflationary pressures continue to rise. Most investors now seem to expect a fall in private consumption in the Autumn after savings, made during the pandemic, are exhausted in a summer spending spree. This is concerning, particularly when one considers that consumer spending is by far the biggest component in the GDP of most continental European countries. If Russia closes the gas pipeline, things could go from bad to worse this winter for most continental European economies and particularly for Germany and Italy which have typically been more reliant on Russian-sourced energy.

What could improve the picture for Europe? China re-opening driving a global recovery? Peace in Ukraine? Inflation peaking? All seem unlikely at present so it seems probable that equity markets will continue to struggle until the medicine (higher interest rates) appears to be working and bringing inflation under control. Central banks cannot wave a magic wand anymore. They are caught between a rock and a hard place.

The market has, of course, already discounted much of this bad news. As your former portfolio manager, Anthony Bolton, likes to say: "it's important not to grow increasingly bearish as

## Portfolio Managers' Half-Yearly Review continued

the market falls". The stock market will start to recover (often inexplicably) some months before earnings bottom out or a recession ends. When it does it will be led by cyclical companies with weak balance sheets (colloquially known as a "trash rally"). The Company may well lag in such a recovery, but we remain confident that in the long term, focusing on attractively valued companies with strong balance sheets and consistent dividend growth will deliver out-performance of the Benchmark Index.

### **Sam Morse**

Portfolio Manager

### **Marcel Stötzel**

Co-Portfolio Manager

4 August 2022



# Twenty Largest Holdings

as at 30 June 2022

The Asset Exposures shown below and on the next page measure exposure to market price movements as a result of owning shares 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	% <sup>1</sup>	£'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Nestlé</b>			
Food Producers	94,485	7.4	94,485
<b>Roche</b>			
Pharmaceuticals & Biotechnology	69,555	5.4	69,555
<b>LVMH Moët Hennessy</b>			
Personal Goods	63,582	5.0	63,582
<b>Novo Nordisk</b>			
Pharmaceuticals & Biotechnology	60,628	4.7	60,628
<b>ASML</b>			
Technology Hardware & Equipment	57,373	4.5	57,373
<b>TotalEnergies</b>			
Oil, Gas & Coal	56,404	4.4	56,404
<b>Sanofi (long CFD)</b>			
Pharmaceuticals & Biotechnology	50,497	3.9	246
<b>L'Oréal</b>			
Personal Goods	46,113	3.6	46,113
<b>Swedish Match</b>			
Tobacco	43,256	3.4	43,256
<b>Deutsche Börse Group</b>			
Investment Banking & Brokerage Services	43,234	3.4	43,234
<b>EssilorLuxottica</b>			
Medical Equipment & Services	42,351	3.3	42,351
<b>Enel</b>			
Electricity	35,614	2.8	35,614
<b>Zurich Insurance Group</b>			
Non-Life Insurance	35,130	2.7	35,130
<b>3i Group</b>			
Investment Banking & Brokerage Services	31,930	2.5	31,930

## Twenty Largest Holdings continued

	Asset Exposure		Fair Value
	£'000	% <sup>1</sup>	£'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>SAP (shares and long CFD)</b>			
Software & Computer Services	31,882	2.5	10,088
<b>Linde (long CFD)</b>			
Chemicals	31,548	2.5	(1,594)
<b>Legrand (long CFD)</b>			
Electronic & Electrical Equipment	31,517	2.4	(2,165)
<b>Symrise</b>			
Chemicals	27,990	2.2	27,990
<b>Hermès International</b>			
Personal Goods	25,185	2.0	25,185
<b>DKSH Holding</b>			
Industrial Support Services	24,980	1.9	24,980
<b>Twenty largest long exposures</b>	<b>903,254</b>	<b>70.5</b>	<b>764,385</b>
Other long exposures	484,531	37.9	484,196
<b>Total long exposures before long futures<sup>2,3</sup></b>	<b>1,387,785</b>	<b>108.4</b>	<b>1,248,581</b>
<b>Long Futures</b>			
Euro Stoxx 50 Future September 2022 <sup>3</sup>	32,215	2.5	(348)
<b>Gross Asset Exposure<sup>3,4</sup></b>	<b>1,420,000</b>	<b>110.9</b>	
<b>Portfolio Fair Value<sup>5</sup></b>			<b>1,248,233</b>
Net current assets (excluding derivative assets and liabilities)			32,524
<b>Shareholders' Funds (per Balance Sheet on page 16)</b>			<b>1,280,757</b>

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

2 Total long exposures before long futures comprises investments of £1,252,159,000 and long CFDs of £135,626,000.

3 See Note 13 on page 25.

4 Gross Asset Exposure comprises market exposure to investments of £1,252,159,000 plus market exposure to all derivative instruments of £167,841,000. Derivative instruments comprise long CFDs of £135,626,000 and long futures of £32,215,000.

5 Portfolio Fair Value comprises investments of £1,252,159,000 plus derivative assets of £253,000 less derivative liabilities of £4,179,000 (per the Balance Sheet, on page 16).

# Interim Management Report and Directors' Responsibility Statement

## Board Changes

After serving on the Board for nine years, Marion Sears stepped down from the Board on 10 May 2022 as a non-executive Director and Senior Independent Director. As her successor as a non-executive Director, Milyae Park was appointed on 1 January 2022. Paul Yates succeeded Ms Sears as Senior Independent Director on 10 May 2022.

## Interim Dividend

The Board does not influence the Portfolio Managers by imposing any income objective in any particular period and the investment focus on companies capable of growing their dividends remains. The Board acknowledges that both capital and income growth are components of performance, as reflected in the investment objective of the Company. It therefore has a policy whereby it seeks to pay a progressive dividend in normal circumstances and to pay dividends twice yearly in order to smooth dividend payments for the reporting year. Unlike open-ended funds, investment trusts can hold back some of the income they receive in good years, thereby building up revenue reserves, which can then be used to supplement dividends during difficult times. The Board has over the past few years augmented revenue reserves by retaining a small proportion of earnings to be used in difficult times, as it did for the payment of the final dividend for the year ended 31 December 2020.

The Company's revenue return for the six months to 30 June 2022 was 7.08 pence per share (30 June 2021: 5.28 pence). The Board has declared an interim dividend of 3.08 pence per share which is an increase of 16.2% on the 2.65 pence per share paid as the interim dividend in 2021. This will be paid on 28 October 2022 to shareholders on the register at close of business on 23 September 2022 (ex-dividend date 22 September 2022).

## Discount Management and Treasury Shares

The Board has an active discount management policy, the primary purpose of which is to reduce discount volatility. It seeks to maintain the discount in single digits in normal market conditions. Buying shares at a discount also results in an enhancement to the NAV per share.

In order to assist in managing the discount, the Board has shareholder approval to hold ordinary shares repurchased by the Company in Treasury, rather than cancelling them. Shares in Treasury are then available to be re-issued at NAV per share or at a premium to NAV per share, facilitating the management of and enhancing liquidity in the Company's shares.

In the reporting period and up to the date of this report, the discount remained in single digits and the Company did not repurchase any ordinary shares into Treasury or for cancellation.

## Principal Risks and Uncertainties

The Board, with the assistance of the Manager (FIL Investment Services (UK) Limited), 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 faced by the Company.

The Board considers that the principal risks and uncertainties faced by the Company fall into the following categories: market risk; economic and political risks; discount control risk; operational risk from cybercrime; investment performance risk; key person risk; environmental, social and governance (ESG) risks; operational resilience risk; tax and regulatory risks; and third party service providers operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2021. A copy of

# Interim Management Report and Directors' Responsibility Statement continued

the Annual Report can be found on the Company's pages of the Manager's website at [www.fidelity.co.uk/europe](http://www.fidelity.co.uk/europe).

While the principal risks and uncertainties are the same as those at the previous year end, the uncertainty has been heightened by the ongoing Russia and Ukraine conflict. The quantum of risks has changed and continues to change. The Board remains vigilant in monitoring the risks.

A key emerging risk that the Board has identified is climate change. It is one of the most critical emerging issues 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. The Board will continue to monitor this. Geopolitical and economic concerns are also emerging risks and the ramifications of a global downturn could have significant impact. The Board keeps material geopolitical and economic risks under close review and discusses these with the Portfolio Managers at each Board meeting.

Investors should be prepared for market fluctuations and remember that holding shares in the Company should be considered to be a long term investment. These risks are somewhat mitigated by the investment trust structure of the Company which means that no forced sales need to take place to deal with any redemptions. Therefore, investments in the Company's portfolio can be held over a longer time horizon.

The Manager carries on reviewing its business continuity plans and its operational resilience strategies on an ongoing basis. It continues to take all reasonable steps in meeting its regulatory obligations and to assess operational risks, the ability to continue

operating and the steps it needs to take to serve and support its clients, including the Board. The Manager has appropriate business continuity plans in place and the provision of services has continued to be supplied without interruption during the pandemic and continues to do so.

Investment team key activities, including those of portfolio managers, analysts and trading/support functions, have continued to perform well despite the operational challenges posed when working from home or when split team arrangements were in place during the peak of the pandemic, and more recently, the disruption from the rail strikes.

The Company's other third party service providers have also implemented similar measures to ensure that business disruption is kept to a minimum.

## Transactions with the Manager and Related Parties

The Manager has delegated the Company's portfolio management and company secretariat services to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 14 to the Financial Statements on page 26.

## 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 can continue in operational existence for a period of at least twelve months from the date of this Half-Yearly Report.

This conclusion also takes into account the Board's assessment of the ongoing risks from COVID and evolving variants as set out on the previous page.

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

Continuation votes are held every two years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2023.

#### **By Order of the Board**

FIL Investments International  
4 August 2022

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard FRS 104: Interim Financial Reporting; and
- b) the Portfolio Managers' Half-Yearly Review on pages 4 to 6 and the Interim Management Report on pages 9 to 11 include a fair review of the information required by DTR 4.2.7R and 4.2.8R.

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

The Half-Yearly Report was approved by the Board on 4 August 2022 and the above responsibility statement was signed on its behalf by Vivian Bazalgette, Chairman.

# Income Statement

for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 unaudited		
		Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		-	(172,868)	(172,868)
(Losses)/gains on derivative instruments		-	(29,395)	(29,395)
Income	4	33,050	-	33,050
Investment management fees	5	(1,177)	(3,533)	(4,710)
Other expenses		(511)	-	(511)
Foreign exchange gains/(losses)		-	502	502
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>31,362</b>	<b>(205,294)</b>	<b>(173,932)</b>
Finance costs	6	(31)	(92)	(123)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>31,331</b>	<b>(205,386)</b>	<b>(174,055)</b>
Taxation on return/(loss) on ordinary activities	7	(2,241)	-	(2,241)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		<b>29,090</b>	<b>(205,386)</b>	<b>(176,296)</b>
<b>Return/(loss) per ordinary share</b>	8	<b>7.08p</b>	<b>(49.97p)</b>	<b>(42.89p)</b>

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

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

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



Six months ended 30 June 2021 unaudited			Year ended 31 December 2021 audited		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
-	116,714	116,714	-	221,090	221,090
-	21,176	21,176	-	38,145	38,145
26,335	-	26,335	37,879	-	37,879
(1,171)	(3,513)	(4,684)	(2,438)	(7,313)	(9,751)
(426)	-	(426)	(908)	-	(908)
-	(258)	(258)	-	(27)	(27)
24,738	134,119	158,857	34,533	251,895	286,428
(59)	(179)	(238)	(134)	(403)	(537)
24,679	133,940	158,619	34,399	251,492	285,891
(2,943)	-	(2,943)	(3,547)	-	(3,547)
21,736	133,940	155,676	30,852	251,492	282,344
5.28p	32.55p	37.83p	7.50p	61.15p	68.65p

# Statement of Changes in Equity

for the six months ended 30 June 2022

	Notes	Share capital £'000
<b>Six months ended 30 June 2022 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2021</b>		<b>10,411</b>
Net (loss)/return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	9	-
<b>Total shareholders' funds at 30 June 2022</b>		<b>10,411</b>
<b>Six months ended 30 June 2021 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2020</b>		<b>10,411</b>
Net return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	9	-
<b>Total shareholders' funds at 30 June 2021</b>		<b>10,411</b>
<b>Year ended 31 December 2021 (audited)</b>		
<b>Total shareholders' funds at 31 December 2020</b>		<b>10,411</b>
Net return on ordinary activities after taxation for the year		-
Repurchase of ordinary shares	11	-
Dividends paid to shareholders	9	-
<b>Total shareholders' funds at 31 December 2021</b>		<b>10,411</b>

Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
58,615	5,414	1,372,360	27,433	1,474,233
-	-	(205,386)	29,090	(176,296)
-	-	-	(17,180)	(17,180)
58,615	5,414	1,166,974	39,343	1,280,757
58,615	5,414	1,122,325	23,520	1,220,285
-	-	133,940	21,736	155,676
-	-	-	(16,047)	(16,047)
58,615	5,414	1,256,265	29,209	1,359,914
58,615	5,414	1,122,325	23,520	1,220,285
-	-	251,492	30,852	282,344
-	-	(1,457)	-	(1,457)
-	-	-	(26,939)	(26,939)
58,615	5,414	1,372,360	27,433	1,474,233

# Balance Sheet

as at 30 June 2022

Company Number 2638812

	Notes	30 June 2022 unaudited £'000	31 December 2021 audited £'000	30 June 2021 unaudited £'000
<b>Fixed assets</b>				
Investments	10	1,252,159	1,447,997	1,322,774
<b>Current assets</b>				
Derivative instruments	10	253	4,010	2,684
Debtors		13,706	8,957	9,183
Amounts held at futures clearing houses and brokers		3,789	2,962	4,724
Cash and cash equivalents		15,955	11,366	22,484
		33,703	27,295	39,075
<b>Current liabilities</b>				
Derivative instruments	10	(4,179)	-	(962)
Other creditors		(926)	(1,059)	(973)
		(5,105)	(1,059)	(1,935)
<b>Net current assets</b>		28,598	26,236	37,140
<b>Net assets</b>		1,280,757	1,474,233	1,359,914
<b>Capital and reserves</b>				
Share capital	11	10,411	10,411	10,411
Share premium account		58,615	58,615	58,615
Capital redemption reserve		5,414	5,414	5,414
Capital reserve		1,166,974	1,372,360	1,256,265
Revenue reserve		39,343	27,433	29,209
<b>Total shareholders' funds</b>		1,280,757	1,474,233	1,359,914
<b>Net asset value per ordinary share</b>	12	311.61p	358.68p	330.50p

# Notes to the Financial Statements

## 1 Principal Activity

Fidelity European Trust PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2638812, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

## 2 Publication of Non-statutory Accounts

The Financial Statements in this Half-Yearly Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 ("the Act"). The financial information for the year ended 31 December 2021 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

## 3 Accounting Policies

### (i) Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in April 2021. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2021.

### (ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements. This conclusion also takes into account the Board's assessment of the continuing risks arising from COVID-19 and evolving variants.

## Notes to the Financial Statements continued

## 4 Income

	Six months ended 30.06.22 unaudited £'000	Six months ended 30.06.21 unaudited £'000	Year ended 31.12.21 audited £'000
<b>Investment income</b>			
Overseas dividends	26,955	21,029	30,799
Overseas scrip dividends	729	512	513
UK dividends	1,075	750	1,374
	28,759	22,291	32,686
<b>Derivative income</b>			
Income recognised from futures contracts	1,083	1,299	1,834
Dividends received on long CFDs	2,858	2,408	2,700
Interest received on CFDs <sup>1</sup>	347	337	659
	4,288	4,044	5,193
<b>Investment and derivative income</b>	33,047	26,335	37,879
<b>Other interest</b>			
Interest received on collateral, bank deposits and money market funds	3	-	-
	3	-	-
<b>Total income</b>	33,050	26,335	37,879

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

Special dividends of £1,115,000 have been recognised in capital during the period (six months ended 30 June 2021 and year ended 31 December 2021: £82,000).



## 5 Investment Management Fees

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 June 2022 (unaudited)</b>			
Investment management fees	1,177	3,533	4,710
<b>Six months ended 30 June 2021 (unaudited)</b>			
Investment management fees	1,171	3,513	4,684
<b>Year ended 31 December 2021 (audited)</b>			
Investment management fees	2,438	7,313	9,751

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

From 1 April 2021, FIL charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.65% of net assets in excess of £400 million. Prior to this date, the investment management fees were charged at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Fees are payable monthly in arrears and are calculated on a daily basis.

Investment management fees have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

# Notes to the Financial Statements continued

## 6 Finance Costs

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 June 2022 (unaudited)</b>			
Interest paid on collateral and bank deposits <sup>1</sup>	16	47	63
Interest paid on long CFDs	15	45	60
	31	92	123

### Six months ended 30 June 2021 (unaudited)

Interest paid on collateral and bank deposits <sup>1</sup>	13	41	54
Interest paid on CFDs <sup>1</sup>	46	138	184
	59	179	238

### Year ended 31 December 2021 (audited)

Interest paid on collateral and bank deposits <sup>1</sup>	40	122	162
Interest paid on CFDs <sup>1</sup>	94	281	375
	134	403	537

1 Due to negative interest rates during the reporting period, the Company paid interest on its short CFDs and deposits.

Finance costs have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

## 7 Taxation on Return/(Loss) on Ordinary Activities

	Six months ended 30.06.22 unaudited £'000	Six months ended 30.06.21 unaudited £'000	Year ended 31.12.21 audited £'000
Overseas taxation	2,241	2,943	3,547

## 8 Return/(Loss) per Ordinary Share

	Six months ended 30.06.22 unaudited	Six months ended 30.06.21 unaudited	Year ended 31.12.21 audited
Revenue return per ordinary share	7.08p	5.28p	7.50p
Capital (loss)/return per ordinary share	(49.97p)	32.55p	61.15p
<b>Total (loss)/return per ordinary share</b>	<b>(42.89p)</b>	37.83p	68.65p

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

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	29,090	21,736	30,852
Net capital (loss)/return on ordinary activities after taxation	(205,386)	133,940	251,492
<b>Net total (loss)/return on ordinary activities after taxation</b>	<b>(176,296)</b>	155,676	282,344

	Number	Number	Number
Weighted average number of ordinary shares held outside Treasury during the period	411,016,049	411,466,049	411,286,049

# Notes to the Financial Statements continued

## 9 Dividends Paid to Shareholders

	<b>Six months ended 30.06.22 unaudited £'000</b>	Six months ended 30.06.21 unaudited £'000	Year ended 31.12.21 audited £'000
Final dividend of 4.18 pence per ordinary share paid for the year ended 31 December 2021	<b>17,180</b>	-	-
Interim dividend of 2.65 pence per ordinary share paid for the year ended 31 December 2021	-	-	10,892
Final dividend of 3.90 pence per ordinary share paid for the year ended 31 December 2020	-	16,047	16,047
	<b>17,180</b>	16,047	26,939

The Company has declared an interim dividend for the six month period to 30 June 2022 of 3.08 pence per ordinary share (2021: 2.65 pence). The interim dividend will be paid on 28 October 2022 to shareholders on the register on 23 September 2022 (ex-dividend date 22 September 2022). The total cost of this interim dividend, which has not been included as a liability in these Financial Statements, is £12,659,000 (2021: £10,892,000). This amount is based on the number of ordinary shares held outside Treasury at the date of this report.

## 10 Fair Value Hierarchy

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

<b>Classification</b>	<b>Input</b>
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets
<b>Level 2</b>	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
<b>Level 3</b>	Valued by reference to valuation techniques using inputs that are not based on observable market data

**10 Fair Value Hierarchy** continued

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

<b>30 June 2022 (unaudited)</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,252,159	–	–	1,252,159
Derivative instrument assets	–	253	–	253
	1,252,159	253	–	1,252,412
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(348)	(3,831)	–	(4,179)

<b>31 December 2021 (audited)</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,447,997	–	–	1,447,997
Derivative instrument assets	950	3,060	–	4,010
	1,448,947	3,060	–	1,452,007

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

Derivative instrument liabilities	–	–	–	–
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<b>30 June 2021 (unaudited)</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,322,774	–	–	1,322,774
Derivative instrument assets	–	2,684	–	2,684
	1,322,774	2,684	–	1,325,458

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

Derivative instrument liabilities	(962)	–	–	(962)
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# Notes to the Financial Statements continued

## 11 Share Capital

	<b>30 June 2022 unaudited</b>		31 December 2021 audited		30 June 2021 unaudited	
	<b>Number of shares</b>	<b>£'000</b>	Number of shares	£'000	Number of shares	£'000
<b>Issued, allotted and fully paid</b>						
<b>Ordinary shares of 2.5 pence each held outside Treasury</b>						
<b>Beginning of the period</b>	<b>411,016,049</b>	<b>10,275</b>	411,466,049	10,286	411,466,049	10,286
Ordinary shares repurchased into Treasury	-	-	(450,000)	(11)	-	-
<b>End of the period</b>	<b>411,016,049</b>	<b>10,275</b>	411,016,049	10,275	411,466,049	10,286
<b>Ordinary shares of 2.5 pence each held in Treasury<sup>1</sup></b>						
<b>Beginning of the period</b>	<b>5,431,861</b>	<b>136</b>	4,981,861	125	4,981,861	125
Ordinary shares repurchased into Treasury	-	-	450,000	11	-	-
<b>End of the period</b>	<b>5,431,861</b>	<b>136</b>	5,431,861	136	4,981,861	125
<b>Total share capital</b>		<b>10,411</b>		10,411		10,411

<sup>1</sup> Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

There were no ordinary shares repurchased into Treasury during the period (year ended 31 December 2021: cost of £1,457,000 and six months ended 30 June 2021: no ordinary shares repurchased).

## 12 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the following:

	<b>30.06.22 unaudited</b>	31.12.21 audited	30.06.21 unaudited
Total shareholders' funds	<b>£1,280,757,000</b>	£1,474,233,000	£1,359,914,000
Ordinary shares held outside Treasury at period end	<b>411,016,049</b>	411,016,049	411,466,049
Net asset value per ordinary share	<b>311.61p</b>	358.68p	330.50p

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.



### 13 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet above, and 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.

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

	Gross gearing		Net gearing	
	Asset exposure		Asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
<b>30 June 2022 (unaudited)</b>				
Investments	1,252,159	97.8	1,252,159	97.8
Long CFDs	135,626	10.6	135,626	10.6
Long futures	32,215	2.5	32,215	2.5
<b>Total long exposures</b>	<b>1,420,000</b>	<b>110.9</b>	<b>1,420,000</b>	<b>110.9</b>
Short CFDs	-	-	-	-
<b>Gross asset exposure/net market exposure</b>	<b>1,420,000</b>	<b>110.9</b>	<b>1,420,000</b>	<b>110.9</b>
<b>Shareholders' funds</b>	<b>1,280,757</b>		<b>1,280,757</b>	
<b>Gearing<sup>2</sup></b>		<b>10.9</b>		<b>10.9</b>
<b>31 December 2021 (audited)</b>				
Investments	1,447,997	98.2	1,447,997	98.2
Long CFDs	136,841	9.3	136,841	9.3
Long futures	53,348	3.6	53,348	3.6
<b>Total long exposures</b>	<b>1,638,186</b>	<b>111.1</b>	<b>1,638,186</b>	<b>111.1</b>
Short CFDs	-	-	-	-
<b>Gross asset exposure/net market exposure</b>	<b>1,638,186</b>	<b>111.1</b>	<b>1,638,186</b>	<b>111.1</b>
<b>Shareholders' funds</b>	<b>1,474,233</b>		<b>1,474,233</b>	
<b>Gearing<sup>2</sup></b>		<b>11.1</b>		<b>11.1</b>

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

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

# Notes to the Financial Statements continued

## 13 Capital Resources and Gearing continued

	Gross gearing		Net gearing	
	Asset exposure		Asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
<b>30 June 2021 (unaudited)</b>				
Investments	1,322,774	97.3	1,322,774	97.3
Long CFDs	140,477	10.3	140,477	10.3
Long futures	59,631	4.4	59,631	4.4
<b>Total long exposures</b>	<b>1,522,882</b>	<b>112.0</b>	<b>1,522,882</b>	<b>112.0</b>
Short CFDs	5,603	0.4	(5,603)	(0.4)
<b>Gross asset exposure/net market exposure</b>	<b>1,528,485</b>	<b>112.4</b>	<b>1,517,279</b>	<b>111.6</b>
<b>Shareholders' funds</b>	<b>1,359,914</b>		<b>1,359,914</b>	
<b>Gearing<sup>2</sup></b>		<b>12.4</b>		<b>11.6</b>

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

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

## 14 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management services and the role of company secretary to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5 above.

During the period, fees for portfolio management services of £4,710,000 (six months ended 30 June 2021: £4,684,000 and year ended 31 December 2021: £9,751,000) were payable to FIL. At the Balance Sheet date, fees for portfolio management services of £754,000 (31 December 2021: £871,000 and 30 June 2021: £790,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £147,000 (six months ended 30 June 2021: £56,000 and year ended 31 December 2021: £126,000). At the Balance Sheet date, fees for marketing services of £nil (31 December 2021: £5,000 and 30 June 2021: £13,000) were accrued and included in other creditors.

As at 30 June 2022, the Board consisted of five non-executive Directors (shown in the Directory on page 29), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £43,000, the Audit Committee Chair an annual fee of £34,000, the Senior Independent Director an annual fee of £30,500 and each other Director an annual fee of £28,000. The following members of the Board hold ordinary shares in the Company: Vivian Bazalgette 30,000 shares, Fleur Meijis 28,970 shares, Milyae Park nil shares, Sir Ivan Rogers nil shares and Paul Yates 32,000 shares.

# Shareholder Information

## Investing in Fidelity European Trust PLC

Fidelity European Trust 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 on the Manager's website at **[www.fidelity.co.uk/europe](http://www.fidelity.co.uk/europe)**.

## CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and on the next page. Links to the websites of major platforms can be found online at **[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**

## Shareholders on the main share register

Contact Link Group, Registrar to Fidelity European Trust PLC, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: **[enquiries@linkgroup.co.uk](mailto:enquiries@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 from the Registrar's Share Portal at **[www.signalshares.com](http://www.signalshares.com)**. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online 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 mandate forms 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 KT20 9FU.

Website: **[www.fidelity.co.uk](http://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.

# Shareholder Information continued

### 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.fidelityinvestmenttrusts.com**

If you hold Fidelity European Trust 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**

Financial Calendar 2022/2023	
30 June 2022	Half-Year End
August 2022	Announcement of the Half-Yearly Results
August 2022	Publication of the Half-Yearly Report
22 September 2022	Ex-dividend Date of the Interim Dividend
23 September 2022	Record Date of the Interim Dividend
28 October 2022	Payment of the Interim Dividend
31 December 2022	Financial Year End
March 2023	Announcement of the Annual Results
March 2023	Publication of the Annual Report
May 2023	Annual General Meeting
May 2023	Payment of the Final Dividend

# Directory

## Board of Directors

Vivian Bazalgette (Chairman)  
Fleur Meijs (Chair of the Audit Committee)  
Milyae Park  
Sir Ivan Rogers  
Paul Yates (Senior Independent Director)

## Alternative Investment Fund Manager (AIFM/the 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](mailto: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 Investment Trusts  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London  
EC4R 2GA

## Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

## Lawyer

Charles Russell Speechlys LLP  
5 Fleet Place  
London  
EC4M 7RD

## Registrar

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## 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's 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

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

### Requesting access, making changes to your 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.



# Glossary of Terms

## 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;
- Return (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).

## 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 a "long" position, or that it will fall by selling a "short" position. If the Company holds long positions, dividends are received. If the Company holds short positions, dividends are paid.

## 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 act as the Company's Depository.

## Derivatives

Financial instruments whose value is derived from the value of an underlying asset or other financial instrument. The main categories of derivatives are contracts for difference, warrants, futures, and options.

## Glossary of Terms continued

### 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 this is measured as:

- **Listed 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

Fidelity International and other companies within the Fidelity Group.

### Futures

Agreements to buy or sell a stated amount of an asset at a specific future date and at 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**), both of which are 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**). This 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 is the Company's **Investment Manager** under delegation from FIL Investment Services (UK) Limited (the appointed AIFM/Manager).

### Manager

FIL Investment Services (UK) Limited is the appointed **Manager** under the Alternative Investment Fund Managers' Directive ("AIFMD") and has delegated the investment management of the Company to the **Investment Manager** (FIL Investments International).

### Net Asset Value (NAV)

**Net Asset Value** is sometimes also described as "**Shareholders' Funds**" and represents 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

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

### 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 Managers

Sam Morse is the appointed Portfolio Manager of the Company and is responsible for managing the Company's assets. He is assisted by the Co-Portfolio Manager, Marcel Stötzel.

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

## Glossary of Terms continued

### Return

The **return** generated in a given period from the Company's 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

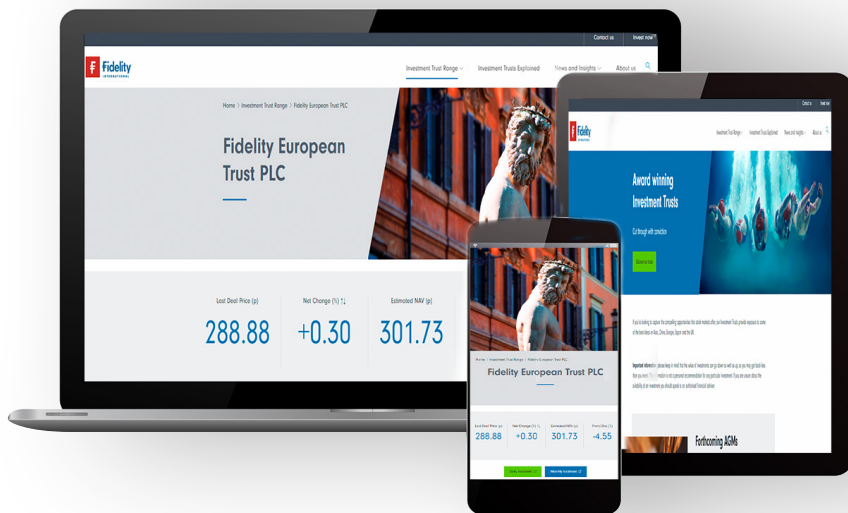
The return on the share price or **net asset value per ordinary share** after taking into account the rise and fall of share prices and dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or 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.

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To find out more about Fidelity European Trust PLC, visit our website at [www.fidelity.co.uk/europe](http://www.fidelity.co.uk/europe) where you can read articles and watch videos on the Company.



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