

## **Fidelity Special Values PLC**

### **Half-Yearly Results for the six months ended 28 February 2021 (unaudited)**

#### **Financial Highlights:**

- **The Board of Fidelity Special Values PLC (the “Company”) recommends an interim dividend of 2.17 pence per share, an increase of 3.3% from last year’s interim dividend.**
- **The Company recorded a net asset value (“NAV”) total return of +24.3% and share price total return of +36.5%, both significantly outperforming the FTSE All-Share Index return of +12.0%.**
- **Holdings in Halfords Group, Aviva, Mitie, AIB Group and M&C Saatchi contributed to key performance.**
- **According to the Company’s Portfolio Manager, Alex Wright, UK equities, and in particular value stocks, remain attractively valued in a global context.**

#### **Contacts**

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

Smita Amin  
Company Secretary  
01737 836347  
FIL Investments International

## PORTFOLIO MANAGER'S HALF-YEARLY REVIEW

### PERFORMANCE

The performance of the Company over the six month period to 28 February 2021 was strong, with a net asset value (“NAV”) total return of 24.3% and a share price total return of 36.5%, compared to a total return of 12.0% for the FTSE All-Share Index (the Company's Benchmark Index). This report seeks to summarise the period, highlight the key drivers of performance and put forward the Portfolio Manager's views looking ahead.

### STOCK MARKET AND PORTFOLIO REVIEW

Over the period, UK equities continued to make up some of the ground lost after the market collapse seen in late February/early March 2020 with the onset of the COVID-19 crisis. The period started on a downbeat note as a second wave of COVID-19 cases initially caused markets to retrace some of their earlier gains. However, news of the efficacy of a number of vaccines and their fast-track approval for use by authorities boosted investors' optimism, as did expectations that Joe Biden's win in the US presidential election would result in a new round of economic stimulus measures in the US. Investors were further relieved as the UK and the European Union finally agreed a post-Brexit trade deal, helping UK shares to end the rollercoaster year that was 2020 on a stronger footing.

While 2021 started off on an optimistic note as the UK Government's inoculation roll-out programme gained momentum, this quickly gave way to renewed nervousness as the country entered its third lockdown and new, more transmissible, variants started to be uncovered. While the swift vaccine rollout and the meaningful impact of vaccines in cutting transmission rates have bolstered recovery hopes, inflation worries started to creep in, causing markets to become more jittery of late and to question the previously established market leadership favouring high-growth stocks. Towards the end of the period, investors welcomed the Government's plans to phase out pandemic restrictions, although overall UK equities only made modest gains in the first two months of the year.

From a macro perspective, while the domestic economy has rebounded in the second half of 2020, overall activity remains significantly below pre-pandemic levels. The UK economy proved particularly susceptible to lockdown measures given its reliance on services, hospitality and consumer spending, and fared worse among Western economies as a result. However, the fast pace of the vaccine rollout means that the UK economy should exit restrictions quicker and, given the disproportionate contraction it has experienced, stands to benefit most from a return to normality. Globally, growth should gradually pick up, supported by substantial fiscal and monetary stimuli, with central banks willing to do more if necessary.

Over the period, the Company's NAV continued to recover strongly from the low seen on 19th March 2020 and meaningfully outperformed the Benchmark Index. Strong stock selection, especially in consumer-related sectors, life insurance and health care, was the primary driver of returns during the period. The underweight allocation to the resources sectors was less beneficial, as investors increasingly focused on the more cyclical segments of the market during the period and moved away from defensives. Our lack of exposure to stocks such as pharmaceuticals groups AstraZeneca and GlaxoSmithKline, as well as highly-rated consumer goods companies Unilever and Reckitt Benckiser, contributed to relative returns as their shares fell.

Among our holdings, bicycle and motoring retailer Halfords Group was the leading contributor, as it posted strong sales across the board during the third quarter, on the back of a significant increase in market share, driven by its digital operating model, the first group-wide motoring campaign and expansion of the Halfords Mobile Expert vans proposition. Insurance group Aviva was another key contributor. The company recently reported solid full-year results, reinstated its dividend and continued to make good progress in its disposal of non-core assets. Support services group Mitie also added value on the back of new contract wins, its acquisition of Interserve, and an improving balance sheet. The company has been rejuvenated under a new management team which has improved its culture, systems and contract risk profile. Among others, banking group AIB Group rose, as it revealed a new cost-cutting plan and a key competitor exited the Irish market, while the smaller position in M&C Saatchi also added value. This successful advertising agency with significant organic growth potential and high-profile clients is emerging from a troubled period that saw accounting misstatements, a deterioration in trading and boardroom issues. Under new management, new processes and controls have been put in place and ambitious targets have just been announced.

The underweight stance in oil majors Royal Dutch Shell and BP detracted from relative performance, as oil prices rose during the period. Sales and marketing group DCC was another detractor amid concerns over fewer M&A opportunities and the long term fears concerning transition away from petrol for its forecourt business. However, we remain positive on the company, which is a long term compounder that is focused on deploying capital in businesses that generate high returns on capital and strong cash conversion with low capital intensity. The holding in aerospace & defence group Ultra Electronics also lagged. It subsequently reported 2020 results ahead of expectations maintaining organic growth with improved profit margins.

Despite the underperformance experienced in the February/March 2020 market dislocation, it is encouraging to note that the Company is now comfortably ahead of the broader market on a 12 month basis. While some of our economically-sensitive holdings were disproportionately affected by the lockdown restrictions, decisive action in selling off those that looked most vulnerable and taking advantage of valuation anomalies highlighted by our analysis, through increased gearing, ultimately proved rewarding. While the market was initially quick to discount some of our holdings as being vulnerable to the crisis, it was rewarding to see them demonstrate their resilience in the last six months, particularly in sectors such as life insurance, retailers and house builders – all areas we added to in the Spring/Summer.

### USE OF DERIVATIVES

During the review period, the Company continued to use contracts for difference (“CFDs”) to gear portfolio long exposure and eliminate some of the currency exposure for those holdings listed outside the UK. As the Company had increased gearing and the market rose in the review period, the use of derivatives was a significant contributor to performance. Overall, net gearing was at 14.5% at the end of February 2021, reflecting the fact that we remain optimistic about the outlook and continue to find attractive investment opportunities with meaningful upside potential.

### OUTLOOK

UK equities, and in particular value stocks, continue to look very attractively valued in a global context, a hangover of prior Brexit uncertainty and the disproportionate impact of the pandemic on the domestic economy. Whilst the post-Brexit transition will present challenges near term, our conversations with companies suggest that these have been mostly administrative in nature and not insurmountable, particularly given the lead time to prepare, and resources available to most listed companies. Assuming this continues to be the case, we would expect the Brexit overhang to disappear over time, and if the UK economy recovers from the pandemic as expected, it is hard to see how UK stocks can remain this unloved. From a virus perspective, the pace of the vaccine roll-out, the falling numbers of new cases and hospitalisations, as well as the announcement by the Government of plans for a gradual reopening of the domestic economy, are very encouraging and point to a return to some sort of normality.

While we have started to see a rotation into value in late 2020, and more recently as investors contemplate the implications of an economic recovery supported by unprecedented fiscal and monetary stimulus, the dispersion in returns between growth and value stocks since the 2008-2009 global financial crisis remains unprecedented. This leads us to believe that, should investors shift their focus, the degree of outperformance could be very substantial, given how bifurcated the market continues to be.

Consensus is growing that later this year we could witness an uptick in inflation as economies reopen, and we see pent up demand and constrained supply in some areas. Indeed, many companies we talk to are increasingly highlighting these challenges, particularly within supply chains. There is still an enormous amount of US fiscal stimulus ahead of us, which could stoke things further, and create a very different environment to the one we saw after the financial crisis. Near term, the ability for businesses to pass on these cost pressures will be increasingly in focus, and is a key topic of conversation in our company meetings. An environment with higher inflation and rising bond yields has tended to favour value stocks. If discount rates rise, then some of the very highly priced stocks/sectors could de-rate, which we have started to see, whereas value stocks moderate valuations should benefit from a normalisation of economic and market conditions.

This value opportunity has not gone unnoticed by acquirers, with UK companies continuing to receive bids from both corporates' and private equity. Over the past six months alone, five of our holdings (William Hill, McCarthy & Stone, CPL Resources, Entain (unsuccessful) and RDI REIT) were bid for highlighting that others also recognise the value on offer.

Against this improving backdrop, the Company continues to look attractively valued, with our holdings trading on an average Price-to-Earnings of 11x 2022 which looks low from an absolute and relative perspective, at a 20% discount to the broader UK market. As we have highlighted previously, we are not having to sacrifice quality and the portfolio contains companies with growth potential, good returns and relatively low levels of debt. Looking at the overall portfolio, our holdings have had more resilient earnings in 2020, are generating superior returns on capital and are not overly indebted. This quality profile gives us confidence that we can continue to deliver attractive returns to investors over the course of 2021.

**ALEX WRIGHT**  
**Portfolio Manager**  
22 April 2021

## TWENTY LARGEST INVESTMENTS AS AT 28 FEBRUARY 2021

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

	Gross Asset Exposure £'000	% <sup>1</sup>	Balance Sheet Value £'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Legal &amp; General Group (long CFD)</b>			
Life Insurance	39,009	5.3	(286)
<b>Aviva (long CFD)</b>			
Life Insurance	36,535	5.0	(10)
<b>Imperial Brands</b>			
Tobacco	24,316	3.3	24,316
<b>John Laing Group</b>			
Financial Services	22,172	3.0	22,172
<b>Serco Group</b>			
Support Services	22,057	3.0	22,057
<b>DCC</b>			
Support Services	21,189	2.9	21,189
<b>ContourGlobal</b>			
Electricity	20,391	2.8	20,391
<b>Halfords Group</b>			
General Retailers	20,051	2.8	20,051
<b>Phoenix Group Holdings</b>			
Life Insurance	19,940	2.7	19,940
<b>Roche Holdings</b>			
Pharmaceuticals & Biotechnology	18,681	2.6	18,681
<b>Pearson (long CFD)</b>			
Media	17,750	2.4	(43)
<b>Sanofi (shares and long CFD)</b>			
Pharmaceuticals & Biotechnology	17,578	2.4	2,650
<b>Mitie Group</b>			
Support Services	17,083	2.3	17,083
<b>Royal Dutch Shell</b>			
Oil & Gas Producers	14,923	2.0	14,923
<b>Inchcape</b>			
Support Services	14,594	2.0	14,594
<b>Spire Healthcare Group</b>			
Health Care Equipment & Services	12,393	1.7	12,393
<b>AIB Group (long CFD)</b>			
Banks	12,379	1.7	1,807
<b>Morgan Advanced Materials</b>			
Electronic & Electrical Equipment	11,509	1.6	11,509
<b>Ultra Electronics Holdings</b>			
Aerospace & Defense	11,407	1.6	11,407
<b>Redde Northgate</b>			
Support Services	11,311	1.6	11,311
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<b>Twenty largest long exposures</b>	<b>385,268</b>	<b>52.7</b>	<b>266,135</b>
	=====	=====	=====
Other long exposures	451,476	61.8	410,985
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<b>Total long exposures (109 holdings)</b>	<b>836,744</b>	<b>114.5</b>	<b>677,120</b>

<b>Gross Asset Exposure<sup>2</sup></b>	=====	=====	=====
	<b>836,744</b>	<b>114.5</b>	
<b>Portfolio Fair Value<sup>3</sup></b>	=====	=====	=====
			<b>677,120</b>
Net current assets (excluding derivative assets and liabilities)	=====	=====	=====
			53,763
<b>Shareholders' Funds</b>	-----	-----	-----
	=====	=====	=====
			<b>730,883</b>

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

2 Gross Asset Exposure comprises market exposure to investments of £676,404,000 plus market exposure to derivative instruments of £160,340,000.

3 Portfolio Fair Value comprises investments of £676,404,000 plus derivative assets of £2,551,000 less derivative liabilities of £1,835,000 (per the Balance Sheet below).

## INTERIM MANAGEMENT REPORT

### REVISED MANAGEMENT FEE

As reported in the Annual Report for the year ended 31 August 2020, the Board agreed a revised management fee with the Manager, FIL Investment Services (UK) Limited, which was effective from 1 January 2021. The previous tiered fee structure of 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million was replaced by a single fee of 0.60% of net assets. In addition, the fixed annual fee of £100,000 for services other than portfolio management was removed. There is no change in the investment process as a result of the new fee arrangement.

### DISCOUNT/PREMIUM AND SHARE REPURCHASES/ ISSUES

Under the Company's discount management policy, the Board seeks to maintain the discount in single digits in normal market conditions and will repurchase shares to help stabilise the share price discount.

The Board will approve the issuance of shares if the Company's shares are trading at a sufficient level of premium to ensure that it adds value for Shareholders and that the issue of shares is not dilutive. Issuing shares increases the size of the Company, making it more liquid and allowing costs to be spread out over a larger pool of assets.

Over the reporting period, the Company's shares traded between a premium of 3.1% and a discount of 12.3%. The level of discount significantly narrowed from 9.1% at the start of the reporting period to 0.2% as at 28 February 2021. The peer group average discount as at 28 February 2021 was 6.1%.

During September and early October 2020, the Company's discount widened, and in order to keep it in single digits, the Board approved the repurchase of 1,025,473 ordinary shares into Treasury. All of these shares were subsequently re-issued in late November and early December 2020 as the shares moved back to a premium. Since then and as at the date of this Half-Yearly Report, no further shares have been repurchased into Treasury or for cancellation.

In the reporting period, the Company's shares mostly traded at a premium and in order to meet demand, the Company issued a total of 9,969,913 ordinary shares from a combination of shares held in Treasury as above, and its block listing facilities. Since then and as at the date of this Half-Yearly Report, the Company has issued a further 2,460,000 shares.

The Board continues to monitor the discount/ premium closely and will take action when it believes that it will be effective.

### INTERIM DIVIDEND

The Board's dividend policy is to pay dividends twice yearly in order to smooth the dividend payment for the Company's financial year. The Company's revenue return for the six months to 28 February 2021 was 1.54 pence per share.

The Board has declared an interim dividend of 2.17 pence per share which is 3.3% higher than the 2.10 pence per share paid as the interim dividend in 2020. This will be paid on 23 June 2021 to Shareholders on the register on 14 May 2021 (ex-dividend date 13 May 2021). Shareholders should note that the Board will review the final dividend payment later in the year based on dividend receipts from the companies held in the portfolio, particularly in light of the continuing impact of COVID-19. However, based on current forecasts, the Board would hope to maintain at least the same level of dividend paid in the prior year.

Shareholders may choose to reinvest their dividends in additional shares in the Company. Details of the Dividend Reinvestment Plan are set out in the Half-Yearly Report.

### PRINCIPAL RISKS AND UNCERTAINTIES

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

The Board considers that the principal risks and uncertainties faced by the Company comprise of market, economic and political risk; pandemic risk; share price risk; discount control risk; regulatory risk; cybercrime risk; investment management risk; and operational risks (such as service providers). Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 August 2020. A copy of the Annual Report can be found on the Company's pages of the Manager's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues).

These principal risks and uncertainties have not materially changed during the six months to 28 February 2021, with the exception of continuing risks arising from new variants of COVID-19 and possible vaccine shortages, and are equally applicable to the remaining six months of the Company's financial year.

### CORONAVIRUS (COVID-19)

With the pandemic continuing to evolve and new variants of the virus appearing, it is evident that the arrival of vaccines does not necessarily mean an end of COVID-19. It is, potentially, a tough job for the formulations of the various vaccines to keep up with variants of the disease. Risks remain and these are being kept under constant review by the Board and the Manager. 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 which means no forced sales need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.

The Manager carries on reviewing its business continuity plans and operational resilience strategies on an ongoing basis and 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. For example, to enhance its resilience and to look after the safety of employees, the Manager has mandated that all staff work from home and has implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager follows the self-isolation and lock-down arrangements on staff in line with Government recommendations and guidance.

Investment team key activities, including those of portfolio managers, analysts and trading/ support functions, are performing well despite the operational challenges posed by working from home or split team arrangements.

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

### TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

The Manager has delegated the Company's portfolio management and the role of Company Secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 13 to the Financial Statements below.

### GOING CONCERN STATEMENT

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its

expenditure and cash flow projections and have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue 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 as set out above.

Continuation votes are held every three years and the next continuation vote will be put to Shareholders at the Annual General Meeting in 2022.

**BY ORDER OF THE BOARD**  
**FIL INVESTMENTS INTERNATIONAL**  
22 April 2021

## **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 Manager's Half-Yearly Review and the Interim Management Report, set out above, 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 by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 22 April 2021 and the above responsibility statement was signed on its behalf by Andy Irvine, Chairman.

# FINANCIAL STATEMENTS

## INCOME STATEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	Six months ended 28 February 2021 unaudited			Year ended 31 August 2020 audited			Six months ended 29 February 2020 unaudited		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		–	101,257	101,257	–	(131,085)	(131,085)	–	(49,076)	(49,076)
Gains/(losses) on long CFDs		–	35,062	35,062	–	(11,820)	(11,820)	–	3,589	3,589
Losses on short CFDs and futures		–	–	–	–	(1,905)	(1,905)	–	(1,799)	(1,799)
Investment and derivative income	4	7,538	–	7,538	20,282	–	20,282	8,658	–	8,658
Other interest	4	87	–	87	789	–	789	622	–	622
Derivative expenses	5	–	–	–	(75)	–	(75)	(46)	–	(46)
Investment management fees	6	(2,475)	–	(2,475)	(5,627)	–	(5,627)	(3,183)	–	(3,183)
Other expenses		(359)	–	(359)	(718)	–	(718)	(336)	–	(336)
Foreign exchange losses		–	(950)	(950)	–	(2,641)	(2,641)	–	(2,666)	(2,666)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		4,791	135,369	140,160	14,651	(147,451)	(132,800)	5,715	(49,952)	(44,237)
Finance costs		(122)	–	(122)	(530)	–	(530)	(381)	–	(381)
<b>Net return/(loss) on ordinary activities before taxation</b>		4,669	135,369	140,038	14,121	(147,451)	(133,330)	5,334	(49,952)	(44,618)
Taxation on return/(loss) on ordinary activities	7	(169)	–	(169)	(360)	–	(360)	(167)	–	(167)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		4,500	135,369	139,869	13,761	(147,451)	(133,690)	5,167	(49,952)	(44,785)
<b>Return/(loss) per ordinary share</b>	8	1.54p	46.37p	47.91p	4.81p	(51.59p)	(46.78p)	1.83p	(17.72p)	(15.89p)

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.



**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021**

	Notes	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
<b>Six months ended 28 February 2021 (unaudited)</b>								
<b>Total Shareholders' funds at 31 August 2020</b>		14,501	144,306	3,256	5,152	394,572	17,718	579,505
New ordinary shares issued	11	447	21,366	–	–	–	–	21,813
Costs associated with the issue of new ordinary shares		–	(117)	–	–	–	–	(117)
Issue of ordinary shares from Treasury	11	–	24	–	–	2,383	–	2,407
Repurchase of ordinary shares into Treasury	11	–	–	–	–	(1,811)	–	(1,811)
Net return on ordinary activities after taxation for the period		–	–	–	–	135,369	4,500	139,869
Dividend paid to Shareholders	9	–	–	–	–	–	(10,783)	(10,783)
<b>Total Shareholders' funds at 28 February 2021</b>		14,948	165,579	3,256	5,152	530,513	11,435	730,883
<b>Year ended 31 August 2020 (audited)</b>								
<b>Total Shareholders' funds at 31 August 2019</b>		13,808	109,897	3,256	5,152	542,023	24,532	698,668
New ordinary shares issued	11	693	34,409	–	–	–	–	35,102
Net (loss)/return on ordinary activities after taxation for the year		–	–	–	–	(147,451)	13,761	(133,690)
Dividends paid to Shareholders	9	–	–	–	–	–	(20,575)	(20,575)
<b>Total Shareholders' funds at 31 August 2020</b>		14,501	144,306	3,256	5,152	394,572	17,718	579,505
<b>Six months ended 29 February 2020 (unaudited)</b>								
<b>Total Shareholders' funds at 31 August 2019</b>		13,808	109,897	3,256	5,152	542,023	24,532	698,668
New ordinary shares issued	11	573	30,223	–	–	–	–	30,796
Net (loss)/return on ordinary activities after taxation for the period		–	–	–	–	(49,952)	5,167	(44,785)
Dividends paid to Shareholders	9	–	–	–	–	–	(14,484)	(14,484)
<b>Total Shareholders' funds at 29 February 2020</b>		14,381	140,120	3,256	5,152	492,071	15,215	670,195

## BALANCE SHEET AS AT 28 FEBRUARY 2021

Company number 2972628

	Notes	28.02.21 unaudited £'000	31.08.20 audited £'000	29.02.20 unaudited £'000
<b>Fixed assets</b>				
Investments	10	676,404	563,763	597,554
<b>Current assets</b>				
Derivative instruments	10	2,551	7,619	5,576
Debtors		4,927	3,921	3,036
Amounts held at futures clearing houses and brokers		–	860	8,715
Cash and cash equivalents		49,284	9,802	78,790
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		56,762	22,202	96,117
		=====	=====	=====
<b>Current liabilities</b>				
Derivative instruments	10	(1,835)	(1,946)	(16,296)
Other creditors		(448)	(4,514)	(7,180)
		(2,283)	(6,460)	(23,476)
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<b>Net current assets</b>		54,479	15,742	72,641
		=====	=====	=====
<b>Net assets</b>		730,883	579,505	670,195
		=====	=====	=====
<b>Capital and reserves</b>				
Share capital	11	14,948	14,501	14,381
Share premium account		165,579	144,306	140,120
Capital redemption reserve		3,256	3,256	3,256
Other non-distributable reserve		5,152	5,152	5,152
Capital reserve		530,513	394,572	492,071
Revenue reserve		11,435	17,718	15,215
		-----	-----	-----
<b>Total Shareholders' funds</b>		730,883	579,505	670,195
		=====	=====	=====
<b>Net asset value per ordinary share</b>	12	244.46p	199.81p	233.00p
		=====	=====	=====

## CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	28.02.21 unaudited £'000	31.08.20 audited £'000	29.02.20 unaudited £'000
<b>Operating activities</b>			
Investment income received	6,457	18,960	10,807
Net derivative income	2,129	4,236	1,408
Interest received	12	695	581
Investment management fee paid	(2,578)	(5,714)	(3,183)
Directors' fees paid	(87)	(179)	(60)
Other cash payments	(318)	(512)	(238)
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<b>Net cash inflow from operating activities before finance costs and taxation</b>	5,615	17,486	9,315
	=====	=====	=====
Finance costs paid	(122)	(530)	(381)
Overseas taxation incurred	50	(625)	(256)
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<b>Net cash inflow from operating activities</b>	5,543	16,331	8,678
	=====	=====	=====
<b>Investing activities</b>			
Purchases of investments	(201,782)	(335,753)	(184,650)
Sales of investments	186,160	284,973	184,698
Receipts on long CFDs	49,036	9,781	2,026
Payments on long CFDs	(9,017)	(41,630)	(2,214)
Payments on short CFDs and futures	–	(2,400)	(2,153)
Movement on amounts held at futures clearing houses and brokers	860	17,142	9,287
	-----	-----	-----
<b>Net cash inflow/(outflow) from investing activities</b>	25,257	(67,887)	6,994
	=====	=====	=====
<b>Net cash inflow/(outflow) before financing activities</b>	30,800	(51,556)	15,672
	=====	=====	=====
<b>Financing activities</b>			
Dividends paid	(10,783)	(20,575)	(14,484)
Net proceeds from issue of ordinary shares	22,343	35,486	31,180
Costs associated with the issue of new ordinary shares	(117)	–	–
Repurchase of ordinary shares	(1,811)	–	–
	-----	-----	-----
<b>Net cash inflow from financing activities</b>	9,632	14,911	16,696
	=====	=====	=====
<b>Net increase/(decrease) in cash and cash equivalents</b>	40,432	(36,645)	32,368
	=====	=====	=====
<b>Cash and cash equivalents at the beginning of the period</b>	9,802	49,088	49,088
	=====	=====	=====
<b>Effect of movement in foreign exchange</b>	(950)	(2,641)	(2,666)
	=====	=====	=====
<b>Cash and cash equivalents at the end of the period</b>	49,284	9,802	78,790
<b>Represented by:</b>	=====	=====	=====
Cash at bank	2,011	1,860	16,344
Amount held in Fidelity Institutional Liquidity Fund	47,273	7,942	62,446
	-----	-----	-----
	49,284	9,802	78,790
	=====	=====	=====

## 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 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 August 2020 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

### 3 BASIS OF PREPARATION

#### (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 October 2019. 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 August 2020.

#### (ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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.

### 4 INCOME

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
<b>Investment income</b>			
UK dividends	4,191	11,678	5,750
UK property income distributions	260	–	–
Overseas dividends	1,734	3,615	1,781
Overseas scrip dividends	–	274	274
Debt security interest	–	138	110
	----- 6,185 =====	----- 15,705 =====	----- 7,915 =====
<b>Derivative income</b>			
Dividends received on long CFDs	1,353	4,577	743
	----- 7,538 =====	----- 20,282 =====	----- 8,658 =====
<b>Investment and derivative income</b>			
<b>Other interest</b>			
Interest received on CFDs	75	94	41
Interest received on bank deposits, collateral and money market funds	12	695	581
	----- 87 =====	----- 789 =====	----- 622 =====
<b>Total income</b>	----- 7,625 =====	----- 21,071 =====	----- 9,280 =====

Special dividends of £1,617,000 (year ended 31 August 2020: £276,000 and six months ended 29 February 2020: £276,000) have been recognised in capital.

### 5 DERIVATIVE EXPENSES

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
Dividends paid on short CFDs	–	71	43
Interest paid on short CFDs	–	4	3
<b>Total derivative expenses</b>	–	75	46

#### 6 INVESTMENT MANAGEMENT FEES

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
Portfolio management services	2,442	5,527	3,133
Non-portfolio management services*	33	100	50
<b>Investment management fees</b>	2,475	5,627	3,183

\* Includes company secretarial, fund accounting, taxation, promotional and corporate advisory services.

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 January 2021, FIL charges portfolio management fees at an annual rate of 0.60% of net assets and the fee for non-portfolio management services of £100,000 per annum is no longer charged. Prior to this date, the portfolio management fees were charged on a tiered fee basis of 0.85% on the first £700 million of net assets and 0.75% of net assets in excess of £700 million.

#### 7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
Overseas taxation	169	360	167
<b>Total taxation charge for the period</b>	169	360	167

#### 8 RETURN/(LOSS) PER ORDINARY SHARE

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
Revenue return per ordinary share	1.54p	4.81p	1.83p
Capital return/(loss) per ordinary share	46.37p	(51.59p)	(17.72p)
<b>Total return/(loss) per ordinary share</b>	47.91p	(46.78p)	(15.89p)

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

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	4,500	13,761	5,167
Net capital return/(loss) on ordinary activities after taxation	135,369	(147,451)	(49,952)
	-----	-----	-----
<b>Net total return/(loss) on ordinary activities after taxation</b>	<b>139,869</b>	<b>(133,690)</b>	<b>(44,785)</b>
	=====	=====	=====
	Number	Number	Number
Weighted average number of ordinary shares in issue during the period	291,958,494	285,790,149	281,889,040
	=====	=====	=====

## 9 DIVIDENDS PAID TO SHAREHOLDERS

	Six months ended 28.02.21 unaudited £'000	Year ended 31.08.20 audited £'000	Six months ended 29.02.20 unaudited £'000
Final dividend of 3.70 pence per ordinary share paid for the year ended 31 August 2020	10,783	–	–
Interim dividend of 2.10 pence per ordinary share paid for the year ended 31 August 2020	–	6,091	–
Final dividend of 3.65 pence per ordinary share paid for the year ended 31 August 2019	–	10,265	10,265
Special dividend of 1.50 pence per ordinary share paid for the year ended 31 August 2019	–	4,219	4,219
	-----	-----	-----
	<b>10,783</b>	<b>20,575</b>	<b>14,484</b>
	=====	=====	=====

The Company has declared an interim dividend for the six month period to 28 February 2021 of 2.17 pence per ordinary share (2020: 2.10 pence). The interim dividend will be paid on 23 June 2021 to Shareholders on the register at 14 May 2021 (ex-dividend date 13 May 2021). The total cost of this interim dividend, which has not been included as a liability in these Financial Statements, is £6,541,000 (2020: £6,091,000). This amount is based on the number of ordinary shares in issue held 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

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:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
28 February 2021 (unaudited)				
<b>Financial assets at fair value through profit or loss</b>				
Investments	675,630	–	774	676,404
Derivative instrument assets	–	2,551	–	2,551
	-----	-----	-----	-----
	<b>675,630</b>	<b>2,551</b>	<b>774</b>	<b>678,955</b>
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,835)	–	(1,835)
	=====	=====	=====	=====
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 August 2020 (audited)				

<b>Financial assets at fair value through profit or loss</b>				
Investments	562,866	–	897	563,763
Derivative instrument assets	–	7,619	–	7,619
	-----	-----	-----	-----
	562,866	7,619	897	571,382
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,946)	–	(1,946)
	=====	=====	=====	=====
	Level 1	Level 2	Level 3	Total
29 February 2020 (unaudited)	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	592,124	4,543	887	597,554
Derivative instrument assets	–	5,576	–	5,576
	-----	-----	-----	-----
	592,124	10,119	887	603,130
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(16,296)	–	(16,296)
	=====	=====	=====	=====

## 11 SHARE CAPITAL

	28 February 2021 unaudited		31 August 2020 audited		29 February 2020 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
<b>Issued, allotted and fully paid ordinary shares of 5 pence each</b>						
<b>Held outside Treasury</b>						
<b>Beginning of the period</b>	290,029,480	14,501	276,169,480	13,808	276,169,480	13,808
Ordinary shares repurchased into Treasury	(1,025,473)	(51)	–	–	–	–
Ordinary shares issued out of Treasury	1,025,473	51	–	–	–	–
New ordinary shares issued	8,944,440	447	13,860,000	693	11,465,000	573
	-----	-----	-----	-----	-----	-----
<b>End of the period</b>	298,973,920	14,948	290,029,480	14,501	287,634,480	14,381
	=====	=====	=====	=====	=====	=====
<b>Held in Treasury*</b>						
<b>Beginning of the period</b>	–	–	–	–	–	–
Ordinary shares repurchased into Treasury	1,025,473	51	–	–	–	–
Ordinary shares issued out of Treasury	(1,025,473)	(51)	–	–	–	–
<b>End of the period</b>	–	–	–	–	–	–
	-----	-----	-----	-----	-----	-----
<b>Total share capital</b>	298,973,920	14,948	290,029,480	14,501	287,634,480	14,381
	=====	=====	=====	=====	=====	=====

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

During the period, 9,969,913 ordinary shares (year ended 31 August 2020: 13,860,000 shares and six months to 29 February 2020: 11,465,000 shares) were issued. From the issue of ordinary shares out of Treasury, £2,383,000 (year ended 31 August 2020 and six month period to 29 February 2020: £nil) was credited to the capital reserve. The premium received in the period on the issue of new ordinary shares of £21,366,000 (year ended 31 August 2020: £34,409,000 and six month period to 29 February 2020: £30,223,000) and on the issue of ordinary shares out of Treasury of £24,000 (year ended 31 August 2020 and six month period to 29 February 2020: £nil) was credited to the share premium account.

1,025,473 ordinary shares (year ended 31 August 2020 and six months to 29 February 2020: nil) were repurchased and held in Treasury. The cost of repurchasing these shares was £1,811,000 (year ended 31 August 2020 and six months to 29 February 2020: £nil). This amount was charged to the capital reserve.

## 12 NET ASSET VALUE PER ORDINARY SHARE

	28.02.21 unaudited	31.08.20 audited	29.02.20 unaudited
Total Shareholders' funds	£730,883,000	£579,505,000	£670,195,000
Ordinary shares held outside Treasury at period end	298,973,920	290,029,480	287,634,480
Net asset value per ordinary share	244.46p	199.81p	233.00p
	=====	=====	=====

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. Since 3 December 2020, there have been no shares held in Treasury.

## 13 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 ("FII"). Both companies are Fidelity group companies.

Details of the fee arrangements are given in Note 6 above. During the period, fees for portfolio management services of £2,442,000 (year ended 31 August 2020: £5,527,000 and six months ended 29 February 2020: £3,133,000) and fees for non-portfolio management services of £33,000 (year ended 31 August 2020: £100,000 and six months ended 29 February 2020: £50,000) were payable to FII. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £332,000 (year ended 31 August 2020: £418,000 and six months ended 29 February 2020: £505,000) and fees for non-portfolio management services of £nil (year ended 31 August 2020: £17,000 and six months ended 29 February 2020: £17,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the period was £62,000 (year ended 31 August 2020: £175,000 and six months ended 29 February 2020: £66,000). At the Balance Sheet date, marketing services of £16,000 (year ended 31 August 2020: £20,000 and six months ended 29 February 2020: £40,000) were accrued and included in other creditors.

As at 28 February 2021, the Board consisted of five Non-Executive Directors (as shown in the Directory in the Half-Yearly Report), all of whom are considered to be independent. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £41,000, the Audit Committee Chairman an annual fee of £31,750 and each other Director an annual fee of £27,000.

As at the date of this report, the following members of the Board held ordinary shares in the Company: Andy Irvine 250,000 shares, Dean Buckley 50,000 shares, Nigel Foster 75,000 shares, Claire Boyle 7,466 shares and Alison McGregor 20,000 shares.

The financial information contained in this Half-Yearly Results Announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 28 February 2021 and 29 February 2020 has not been audited or reviewed by the Company's Independent Auditor.

The information for the year ended 31 August 2020 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies, unless otherwise stated. The report of the Auditor on those financial statements contained no qualification or statement under sections 498(2) or (3) of the Companies Act 2006.

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

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

The Half-Yearly Report will also be available on the Company's website at [www.fidelity.co.uk/specialvalues](http://www.fidelity.co.uk/specialvalues) where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.