FIDELITY EUROPEAN VALUES PLC

Final Results for the year ended 31 December 2019

Financial Highlights:

- The Board of Fidelity European Values PLC (the "Company") recommends a final dividend of 3.88 pence per share which together with the interim dividend payment of 2.59 pence per share (totalling 6.47 pence) represents an increase of 3% over the dividend of 6.28 pence per share paid in the prior year
- The Company recorded a net asset value ("NAV") total return of +23.8% for the year ended 31 December 2019, outperforming its Benchmark Index which returned +20.4%.
- The discount to NAV narrowed from 10.7% to 6.2%, due to an impressive share price total return of +30.6%.
- To better align the Company's name more closely to its objective, and to avoid confusion with value investment products, the Board has decided to change the Company's name from Fidelity European Values PLC to Fidelity European Trust PLC with effect from 12 May 2020.

Contacts

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CHAIRMAN'S STATEMENT

Fidelity European Values PLC (the "Company") aims to be the cornerstone long term investment of choice for those seeking European exposure across market cycles.

The Company's portfolio is built on companies with well-formed, long-standing foundations. Europe is home to the world's largest economy and some of the strongest, most stable and resilient companies. These global household names are famed for standing the test of time, even through periods of economic uncertainty.

Using Fidelity's extensive research team, Portfolio Manager, Sam Morse, aims to select well-established European companies with proven business models, attractive valuations and the ability to grow dividends both now and in the future. It's these leaders with market-beating potential that have helped the Company outperform its Benchmark Index over the long term.

Company Name Change
In order to clarify the Company's investment proposition to investors and its strategy to grow the Company, the Board has concluded that the word "values" in the Company's name is no longer relevant to the objective of the Company. Therefore, so as to align the Company's name more closely to its objective, and to avoid confusion with value investment products, the Board has decided to change the Company's name from Fidelity European Values PLC to Fidelity European Trust PLC with effect from 12 May 2020. I should emphasise that there will be no change to the way the investment portfolio is managed.

The change of name will take effect following the requisite statutory filings, which are expected to be made to allow the change to take effect from 12 May 2020. The Company will, however, retain its existing ticker (FEV.L), SEDOL (BK1PKQ9) and ISIN (GB00BK1PKQ95).

Performance
The net asset value ("NAV") of the Company increased by 23.8% for the year ended 31 December 2019, outperforming the Benchmark Index, the FTSE World Europe (ex UK) Index, which returned 20.4%. The share price return over this period was a more impressive 30.6% (all performance data on a total return basis). In what turned out to be a very strong year of absolute performance for the Company, our Portfolio Manager's strong stock selection capabilities were once again the primary drivers of outperformance versus the Benchmark Index with several of his high-conviction holdings contributing significantly to returns. In addition, the Company's NAV and share price total return performance over three and five years remains well ahead of the Benchmark Index, as can be seen from the chart on the Financial Highlights page in the Annual Report.

European equity market performance during the year was broadly driven by the accommodative monetary policy stance adopted by most major global central banks and improving geopolitical conditions towards the end of the year. After the sharp fall in equities in the fourth quarter of 2018, the first four months of 2019 witnessed a strong rebound. While weakening global economic data, Brexit related uncertainty, FY19 corporate earnings downgrades and trade tensions between the US and China did lead to some volatility mid-year, sentiment was much improved towards the end of the reporting year. Positive policy signals from the European Central Bank ("ECB"), the UK general election victory for the ruling Conservative party and an apparent easing in US-China trade relations were the key drivers of this shift in momentum.

Due Diligence Trip
In November 2019, the Board carried out its due diligence trip which started at Fidelity's London office with analyst meetings, trading demonstrations, risk management at Company and portfolio levels, research reviews and a market macro update. The Board then travelled to Fidelity's Frankfurt office where it had presentations on how Fidelity's analysts work, some of the funds managed and specialist sector reviews. The Board also visited Deutsche Boerse. The due diligence oriented exercise is important in providing the Board with useful context about continental European markets in which the Company invests. It also gives perspective on the Portfolio Manager's analysis and investment approach.

Outlook
Investors are clearly very concerned about the likely effects of the Coronavirus, COVID-19, on the world economy. At the end of his report below, Sam Morse outlines his response in respect of the portfolio. As he implies, things should sooner or later return to normal; it is just a matter of when.

Before the virus struck, my intention was to inform you that I was "cautiously optimistic" about the prospects for the Company. Now, however, as one market strategist wrote recently when observing the US bond market: "......the 10-year bond doesn't have a medical degree....it is hard to define how growth will be impacted." Nor do most equity market investors know.

The virus's behaviour is not yet fully understood. Like flu, it may well die away during the warmer summer months of the northern hemisphere. It may also reassert itself when winter returns. Investors should therefore be prepared for market fluctuations to echo these vicissitudes, and it may well be that sentiment will only fully recover once an immunising vaccine is widely available. This could take up to another year or more to develop.

In these circumstances it is helpful to remember the timescale in which you originally bought shares in this Company. If that was, say, a rolling three years at a minimum - for most of our shareholders it is much longer - then these events will in retrospect constitute a minor bump on the long road of history. Even the great crash of 1987 looks just like that on the long term graph.

While most industrial and commercial sectors are affected in the short term, stronger companies, which Sam makes a point of holding, should usually be able to ride out the challenges presented by falling demand or interrupted supply chains. Though the portfolio is not immune, its constituents are typically resilient and, like most human beings, likely to experience mild and temporary symptoms at the hands of the virus. I hope that it will not be long before I can write in a more optimistic vein based on more conventional economic and market analysis.

Environmental, Social and Governance (ESG) Investment
Recent years have seen increasing concern about global warming, and the growth of serious efforts to counter its effects. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance. In his report, Sam Morse outlines Fidelity's approach to this important subject and what this means for the Fidelity European Values investment portfolio.

OTHER MATTERS
Dividends
As reported in last year's Annual Report, and in order to smooth dividend payments throughout the year, the Board decided that from the 2019 financial year the Company would pay both an interim and a final dividend. As a result, an interim dividend of 2.59 pence per ordinary share was paid on 1 November 2019.

The Board recommends a final dividend of 3.88 pence per ordinary share for the year ended 31 December 2019 for approval by shareholders at the Annual General Meeting ("AGM") on 12 May 2020. The dividend will be payable on 15 May 2020 to those shareholders who appear on the share register at close of business on 27 March 2020 (ex-dividend date 26 March 2020). The interim and final dividends, totalling 6.47 pence, represent a total increase of 3.0 per cent over the 6.28 pence per ordinary share paid for the year ended 31 December 2018.

While the Board has not sought to influence the Portfolio Manager by imposing any income objective in any particular year – and this remains the case – the investment focus on companies capable of growing their dividend has seen the Company's dividend payments rise over time. Because the Board acknowledges that both capital and income growth are components of performance, as reflected in the change of investment objective approved by shareholders at the Annual General Meeting in 2018, it considered that this was an appropriate time to move to a more clearly defined progressive dividend practice.

The aim, therefore, as I stated in the last Annual Report, is to increase the dividend each year. The unusual circumstances in which this may not prove possible include, firstly, if sterling were to rise substantially against the euro; secondly, if economic trends prove to be unusually adverse; and thirdly, if the Portfolio Manager shifts the emphasis of companies held to ones with a materially lower overall yield than hitherto.

In order to help realise its aim, the Board has decided gradually to augment revenue reserves by retaining a minor proportion of earnings from year to year. By law this proportion is not permitted to exceed 15 per cent. By way of example, for the 2019 financial year the dividend of 6.47 pence is being paid from earnings of 7.00 pence per share, a retention rate of about 7.5 per cent. The Board expects that as revenue reserves build up they will assist, if necessary, in smoothing dividend growth year on year, in the event of the sorts of exceptional circumstances outlined above.

Discount Management and Treasury Shares

The Board operates an active discount management policy, the primary purpose of which is to reduce discount volatility. Buying shares at a discount also results in an enhancement to the NAV per share. As a consequence, the Board seeks to maintain the discount in single digits in normal market conditions. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them. These shares are then available to re-issue at NAV per share or at a premium to NAV per share, facilitating the management of and enhancing liquidity in the Company's shares. The Board is seeking shareholder approval to renew this authority at the forthcoming AGM.

As a result of discount management during the year, the Company repurchased 706,777 ordinary shares into Treasury. Since the end of the reporting year and as at the date of this report, the Company has not repurchased any further ordinary shares into Treasury or for cancellation.

Gearing

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Manager has flexibility to gear within the parameters set by the Board. As at 31 December 2019, the Company's gross gearing was 7.1% (2018: 10.1%) whilst net gearing was 4.7% (2018: 6.1%). In the reporting year, gearing made a positive contribution to performance, as can be seen from the attribution analysis table in the Annual Report.

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

Board of Directors

After serving on the Board for over ten years as a non-executive Director, Dr Robin Niblett will step down from the Board at the conclusion of the AGM on 12 May 2020. Robin has made a unique and invaluable contribution to the Board and the Company with the perspective of his Chief Executive role at Chatham House (the Royal Institute of International Affairs) and as a member of the World Economic Forum's Regional Future Council on Europe. I would like to take this opportunity to thank him on behalf of the Board and all of the Company's stakeholders for all that he has accomplished and for his unfailing dedication, wisdom and good humour. He takes with us our very best wishes for the future.

As Robin's successor, I am pleased to welcome Sir Ivan Rogers as a non-executive Director. He joined the Board on 1 January 2020. Sir Ivan is a former British civil servant, formerly the Permanent Representative of the UK to the European Union ("EU") for over three years until the beginning of 2017. Before this, he was Principal Private Secretary to one British prime minister and head of the Europe and Global Issues Secretariat for another. He was twice the UK's G7/G8 Sherpa as well as the EU and G20 Sherpa. He has worked closely with and for both the UK government and EU institutions for the majority of his career. In addition to this, he spent five years in the private sector holding senior public sector banking roles for Citigroup UK and Barclays Capital.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with the range of appropriate skills and experience for your Company. In accordance with the UK Corporate Governance Code, and being a FTSE 350 Company, I together with Fleur Meijs, Marion Sears and Paul Yates are subject to annual re-election at the AGM on 12 May 2020. Sir Ivan Rogers, being newly appointed, is subject to election at the forthcoming AGM. Biographical details of all the Directors standing for election and re-election can be found in the Annual Report. The Directors, between them, have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Annual General Meeting – Tuesday, 12 May 2020

In view of the emerging public health impact of the Coronavirus (COVID-19) and in the interests of the wellbeing of our shareholders, the Board has decided to change the format of the Annual General Meeting this year. We are actively encouraging (and making it as easy as possible for) shareholders to vote by proxy in advance of the meeting so that it is not necessary to attend in person. A proxy form will be sent to shareholders on the main register.

The Portfolio Manager will not attend the meeting and his presentation will be pre-recorded and made available on the website **www.fidelityinvestmenttrusts.com** in advance of the meeting. Hard copies of the presentation will also be made available by post on request to the Secretary, contact details for which can be found in the Annual Report.

It is a legal requirement to hold the AGM and it will go ahead, unless advice is received from the Government to the contrary. The meeting will be held at midday on 12 May 2020 at Flat 2, Fidelity International, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ with a reduced program. The AGM will be restricted to the formal business of the meeting as set out in the Annual Report and voting on the resolutions therein. On this occasion external guests who are not shareholders, or proxies or representatives for shareholders, will not be permitted to attend the meeting and no refreshments will be served.

If you hold shares through the Fidelity Platform, or through another platform or nominee (and not directly in your own name) and you do wish to attend, please ensure that you are validly appointed as a representative of the relevant nominee and bring evidence of that appointment with you to the meeting. Please contact the company that you hold your shares with should you have any questions in relation to being appointed as a representative for the AGM.

Investors should consult Government guidance and those who show any of the symptoms associated with Coronavirus (however mild) or who have recently travelled from a high-risk area are asked not to attend but to vote by proxy. The AGM and proxy results will be announced and made available following the AGM on the website **www.fidelityinvestmenttrusts.com**.

We sincerely hope to resume the meeting's usual format in future years.

VIVIAN BAZALGETTE
Chairman
18 March 2020

PORTFOLIO MANAGER'S REVIEW

Question
How has the Company performed in the year under review?

Answer
During 2019, the net asset value ("NAV") total return was +23.8% compared to a total return of +20.4% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was +30.6% benefiting from a narrowing of the discount. The second half of the year saw positive returns but was not as rewarding as the first half partly due to the strength of UK sterling which dampened returns for UK sterling-based investors. It is particularly pleasing that the Company outperformed in what was a very strong year for absolute returns. This was partly due to gearing but mostly thanks to the stock-picking efforts of the in-house Fidelity research team - a team of forty or so analysts covering European companies, keeping on top of existing investments and scouring the continental European markets for new opportunities which fit the investment criteria of the Company.

Question
And what about performance of the broader market environment?

Answer
2019 turned out to be something of a banner year for continental European equities (a mirror image of the very disappointing 2018). In many ways, this was surprising especially considering that aggregate earnings did not grow and the US yield curve inverted (traditionally seen as a reliable forewarning of global recession). Monetary easing and improving sentiment (not fundamentals) have, however, been key drivers of improving equity prices (see the chart in the Annual Report on 2019 return drivers). In the first half of the year, investors remained wary and the market was initially led higher by bond proxies thanks to the Federal Reserve's guidance on lower interest rates and monetary easing. The second half of the year, however, saw the return of more 'animal spirits', especially following the confirmation of a restart to the European Central Bank's ("ECB") quantitative easing and some relief in trade tensions. This led to a greater demand for economy-sensitive cyclicals and so-called value stocks, particularly in September, as investors began to add risk to their portfolios. The year ended on a positive note with the outcome of the UK general election which was generally seen to be market friendly. We enter 2020, therefore, almost at the other end of the spectrum versus 2019 in terms of investor mood but it should not be forgotten that, in market terms, travelling is often better than arriving!

Question
What have been the key contributors to performance? And detractors?

Answer
The performance of the Company was largely driven by stock-picking in 2019 although gearing contributed positively too. ASML, the manufacturer of chip-making equipment (semiconductors not potatoes!), was the star of the year with the company's shares almost doubling. Semiconductor shares generally performed well as investors anticipated a recovery in demand for memory chips and as trade tensions between the US and China began to ease. ASML got an additional boost with strong demand from logic chip makers with the third quarter results delivering its strongest ever order intake. LVMH Moët Hennessy was another strong performer, continuing the trend commented on in the interim report, as the spending power of the Chinese luxury consumer surprised positively, despite the disturbances in Hong Kong, and as future earnings prospects were further enhanced by the agreed acquisition of Tiffany's which will complete this year. Detractors included ABN AMRO Bank, the Dutch banking group, which suffered in the latter half of 2019 from growing worries about possible negative impacts relating to a lack of robustness in its anti-money-laundering processes. Telenor, the Norwegian multinational telecommunications group also underperformed in the second half of the year, especially following its failure to complete the mooted merger of some of its Asian operations with a local competitor, Axiata.

Top 5 Stock Contributors (on a relative basis)	%
ASML	+1.2
LVMH Moët Hennessy	+0.7
3i Group	+0.6
Legrand	+0.5
Telefonica	+0.4
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Top 5 Stock Detractors	
(on a relative basis)	%
ABN AMRO Bank	-1.0
Telenor	-0.7
Red Electrica	-0.6
Sampo	-0.5
Royal Dutch Shell	-0.5
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Question
Looking across the markets, European equities appear cheap versus bonds and better value than US equities - would you agree?

Answer
Not really. One should be careful when comparing the aggregate valuation of equities across different regions. Don't forget there are armies of analysts at Fidelity and elsewhere whose job is to seek out valuation anomalies from market to market. The rise of global funds, which can take advantage of these anomalies, means that any inefficiencies in valuation are arbitraged away rapidly. This is especially true of the larger companies in the Benchmark Index which often have a number of global comparators. Remember too that these larger companies represent the bulk of any index by value. So a lot of the 'cheapness' of one region versus another will be down to mix differences or accounting differences or other factors rather than differences in intrinsic value. The US market's relative exposure to technology is an often-cited example of the mix impact on aggregate valuation. And yes, European equities do "appear" cheap versus bonds but does that mean European equities are cheap? Perhaps it simply means that bonds are too expensive. This gap in valuation might, for instance, be corrected with both asset classes falling, if or when the bond "bubble" is pricked, rather than by equities outpacing bonds. As always, the Company will focus on continental European companies that are not overly leveraged and which will be able to deliver consistent dividend growth. We will also try to make sure that we do not pay too much for these companies.

Question
In recent months European equities have been growing in popularity among asset allocators. What has been the impetus behind this change in sentiment and will it continue?

Answer
It could not have become much worse. European equities have been hugely unpopular and have suffered large outflows for many years in favour of global and US equity funds. This is understandable -- the earnings and dividend growth of continental European companies have lagged their transatlantic peers for many years. This may be a long term trend that continues but, as always, there will be times when the pessimism is overdone and that can provide an opportunity. When an asset class is out of fashion, as a result of years of underperformance, then the canny asset allocator will take another look to see if the 'baby has been thrown out with the bath water'. European equities may be enjoying such a moment as asset allocators have generally become more risk-seeking with some of the concerns that plagued markets in 2018 receding during 2019. Continental European equities are often seen by asset allocators as a high beta play on global growth -- if global economic growth picks up again in 2020 thanks to central bank easing and a de-escalation of the trade tensions then European equities may get a relative boost. A view on the direction of the US dollar will, of course, also be very important and here there is a healthy debate between those that think the US dollar is overvalued on a purchase power parity basis and those that think it still provides a safe haven with an attractive relative yield.

Question
What have been the major changes to the portfolio over the period?

Answer
We don't really do "major". There have been incremental changes but overall the turnover in the portfolio will always be relatively low in keeping with the Company's longer term investment horizon. No apologies for that. Low turnover means that the transaction costs are low as well. So what has changed in 2019? Two new investments were made in companies involved in the private equity industry: Partners Group and EQT. The latter was an IPO which performed very well but unfortunately the Company was not able to get a large allocation so it remains, for the time being, a very small position. Partners Group, however, is a more significant constituent in the Company's portfolio. It is a company that fits the Company's criteria well: a 3% dividend yield and a long track record of double-digit dividend growth (thanks to its robust cash generation). The company enjoys high returns and a strong balance sheet with net cash. It is largely an agency business with a long track record of successfully investing clients' funds in the private sector (equity and debt) and in infrastructure projects. It is a business where success breeds success and, as a result, Partners Group is growing market share in an industry which is seeing a growing share of asset allocators' wallets as the hunt for yield continues while interest rates stay low. The opportunity to enter arose when the shares pulled back on slightly disappointing results due to the increased levels of investment required to prepare for the next stage of growth in assets under management. The only disposal of the year was Flughafen Zurich which was sold when it became evident that the upcoming regulatory review would be more draconian than anticipated and was, therefore, likely to result in a reduced dividend. As always, there have been a number of additions and reductions to existing names which accounted for the majority of the turnover in the portfolio. In general, the strategy here has been to trim stocks that have risen to less reasonable levels of valuation and to add to those that have experienced a temporary hiccup. A good example is EssilorLuxottica which suffered while mired in a very public spat between the management of Essilor and the majority owner of Luxottica shortly following the completion of their merger. This provided an opportunity to add to holdings in what will, in the long run, be a dominant powerhouse in the optical industry. The shares recovered handsomely when senior management changes were agreed and the combined group went on to announce an important (and very accretive) acquisition of the spectacles retailer Grandvision.

Question
How has your derivative strategy performed in the period under review?

Answer
Gearing, achieved through the use of contracts for difference ("CFDs"), has added 1.3% to the performance of the Company during what has, of course, been a very strong year for absolute returns. The Company's short portfolio, which is very small in relation to the total net assets of the Company, has, however, been a mixed bag and has neither added nor detracted from the overall performance of the Company, relative to its Benchmark Index, during the period. You may, therefore, be asking: why do it? Well, it is constantly under review and it will remain a small part of the Company until we are convinced that it can add value. Having said that, it is still early days and there are some soft benefits associated with the practice (e.g. regular access to Fidelity's shorting resource etc.). Be assured, if it were ever felt that the shorting strategy was a distraction that diluted the overall performance of the Company, there would be no hesitation in stopping it.

Question
How significant a concern is Brexit?

Answer
It is important to put the UK's significance in context. The UK represents, in aggregate, less than 5% of the sales and profits of continental European companies (see chart in the Annual Report). Some companies are, of course, more exposed (think Spanish banks or German car companies) than others. Brexit, technically speaking, has already happened but the process of leaving the European Union is on-going: the UK's future relationship with its largest trading partner is still to be decided. Given the timelines required, if the Prime Minister sticks to his end of year pledge, then it is likely that only a "barebones" agreement on the trade in goods will be in place by the deadline with a lot still to agree on services, etc. For those names with a heightened exposure to the UK, this may be a source of volatility during 2020 and in future years. The health of the global economy, in contrast, will be much more significant in general for continental European companies. In the long run Brexit may be seen as a test case for the European Union project and it may have a lasting impact on the latter's pace of integration and risk of disintegration. Time will tell.

Question
There is a lot of press comment about Environmental, Social and Governance ("ESG") in connection with investing. What precisely is it about, what is the Fidelity capability in this area, what is your approach as Portfolio Manager and how does the investment portfolio measure up?

Answer
It is certainly true that much ink has been spilt on the subject of Environmental, Social and Governance ("ESG") related investment matters in recent times. As I see it, investing in companies which operate high standards on corporate responsibility is more likely to protect and enhance investment returns for shareholders. This is just good sense.

The best run companies are invariably those which consider their long term value proposition and look after their stakeholders appropriately. Needless to say, ESG matters affect different companies differently depending on their business models and stakeholder groups. The 'Environmental' component alone is multi-faceted, taking into account the depletion of resources, emissions, biodiversity, waste and water management and of course carbon pollution.

In analysing each stock, I obtain a deep understanding of ESG issues at a company level, aided by Fidelity's research analysts' team. We have responded to our clients' demands in recent years by substantially developing our in-house resources to scrutinise and map sustainability risks. Most recently, this has resulted in the implementation of our proprietary ESG ratings system.

Fidelity's analysts are encouraged to explore any material differences between their internal ratings of companies and the external ESG ratings provided by third-party research agencies. For new or emerging securities, or support on regional specifics, our dedicated Sustainable Investing Team will add additional input where necessary.

As a house, Fidelity favours a positive engagement approach, discussing ESG issues with the management of the companies in which we invest, or are contemplating investing in, in the belief that this is the most effective way to improve the attitude of businesses towards corporate responsibility. Ultimately, ESG cannot be boiled down to a tick-box exercise. I am pleased to say, however, that Fidelity European Values PLC is rated ‘above average’ in its sustainability rating scoring by Morningstar. There is more detail on Fidelity’s approach to ESG in the Strategic Report in the Annual Report.

Question
Where should investors direct their attention in the months ahead?

Answer
As always, investors should pay attention to the companies in which they are invested. As Peter Lynch, the respected American investor, famously said: “Nobody can predict interest rates, the future direction of the economy, or the stock market. Dismiss all such forecasts and concentrate on what’s actually happening to the companies in which you’ve invested”. The Company will, as always, stay fully invested and focus its attention on the prospects for its constituent companies’ dividend growth and will consider to what extent that dividend growth is already discounted in the share price. Why does the Company stay fully invested? Fidelity has published a lot of research which has shown that trying to call the market is a mug’s game: you may be able to call the top but if you don’t get back in near the bottom you will miss some of the strongest days of return and leave a lot of money on the table. It is also important to note that due to the Company's investment trust structure and the low gearing, I will not need to liquidate any assets to meet any redemptions.

Much remains to be seen regarding the impact of COVID-19; notwithstanding the human cost, there will likely be winners and losers. As always, there are a lot of little devils hiding in the details. The bottom line for me is that I do not try to time markets – I will stay fully invested. I will also stay focused on companies with strong balance sheets. Companies with strong balance sheets can take advantage in difficult times, like this, while companies with weak balance sheets may be in peril. The cost of trading can also rise dramatically in times of high volatility so my default setting will be to sit on my hands (unless I have a very good reason for doing otherwise). I am investing in businesses that I think are tough long term franchises and, as the saying goes, when the going gets tough, the tough get going.

SAM MORSE
Portfolio Manager
18 March 2020

STRATEGIC REPORT

RISK FRAMEWORK

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks that the Company faces. The Audit Committee carried out a separate exercise in November 2019 to identify any new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

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

The Board considers the following as the principal risks and uncertainties faced by the Company. There have been no changes to these since the prior reporting year.

Principal Risks	Description and Risk Mitigation
Market risk	The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, exchange rate movements and ESG investing, including climate risk. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The risk of the likely effects of the Coronavirus (COVID-19) on the markets is covered in the Chairman's Statement and Portfolio Manager's Review above. These risks are somewhat mitigated by the investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon. Risks to which the Company is exposed in the market risk category are included in Note 17 to the Financial Statements below together with summaries of the policies for managing these risks.
Performance risk	The achievement of the Company's performance objective relative to the market requires the application of risk such as strategy, asset allocation and stock selection and may lead to underperformance of the Benchmark Index. The Board reviews the performance of the portfolio against the Company's Benchmark and that of its competitors and the outlook for the market with the Portfolio Manager at each Board meeting. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term performance as the Company may experience volatility of performance in the shorter term.
Key person risk	There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with investment trust expertise. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board.
Economic and political risk	The Company may be impacted by economic and political risks, including from the UK's departure from the European Union and the outcome of future negotiations. The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting. The review also covers risks relating to trade tensions, rising interest rates and political unrest. The Chairman's Statement and the Portfolio Manager's Review above provide more detail.
Discount control risk	The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. The Board continues to adopt an active discount management policy. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.
Gearing risk	The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively, resulting in a failure to outperform in a rising market or to underperform in a falling market. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.
Derivatives risk	Derivative instruments are used to provide both protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to a higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further details on derivatives risk is included in Note 17 to the Financial Statements below.
Operational risks	The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security and technology teams and has resulted in the implementation of new tools and processes as well as improvements to existing ones. Fidelity has also established a dedicated cybersecurity team which provides regular awareness updates and best practices guidance. Other significant operational risks, such as those currently arising from the Coronavirus (COVID 19), following the Company's year end, are being managed by Fidelity's Contagious Illness Response Team (CIRT) which is part of Fidelity's overall Event Management Framework. There are contingency plans in place to allow for the continuation of Fidelity's operations and to look after the safety of their employees.

Other risks facing the Company include:

Tax and Regulatory Risks
There is a risk to the Company of not complying with tax and regulatory requirements.

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

There is a risk that outstanding withholding tax reclaims may not be recoverable from some jurisdictions and may need to be written-off. The Manager’s tax team works closely with the Custodian to keep these under review and the Board is kept updated on the recoverability of the withholding tax reclaims.

The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

Other Operational Risks
The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager’s control systems and those of its service providers with regard to the security of the Company’s assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers’ own internal control reports are received by the Board on an annual basis and any concerns are investigated. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

CONTINUATION VOTE
A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company’s NAV and share price is poor. At the Company’s AGM held on 13 May 2019, 100% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2021.

VIABILITY STATEMENT
In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the “Going Concern” basis. The Company is an investment trust with the objective of achieving long term growth in both capital and income. The Board considers long term to be at least five years, and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company’s NAV and share price performance;
- The principal risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company’s shares;
- The Company’s share price discount to the NAV;
- The liquidity of the Company’s portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company’s performance has been strong for the five year reporting period to 31 December 2019, with a NAV total return of 77.7%, a share price total return of 80.8% and a Benchmark Index total return of 61.6%. The Board regularly reviews the Company’s investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager’s compliance with the Company’s investment objective and policy, its investment strategy and asset allocation;
- The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board’s discount management policy;
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company’s total assets; and
- The Board’s assessment of the risks arising from COVID-19 as set out above.

In addition, the Directors’ assessment of the Company’s ability to operate in the foreseeable future is included in the Going Concern Statement below.

PROMOTING THE SUCCESS OF THE COMPANY
Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company for the benefit of its stakeholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long term, fostering relationships with the Company’s stakeholders and the desirability of the Company maintaining a reputation for high standards of business conduct.

As an Investment Trust the Company has no employees or physical assets, the Manager is our predominant supplier and our customers are our shareholders. The Board, with the Portfolio Manager, sets an overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored.

It is one of the Board's long term intentions that the share price should trade at a level close to the underlying net asset value of the shares. In order to achieve this, the Board has an active discount policy in order to reduce discount volatility and will execute share repurchases (in normal market conditions) in order to keep the discount in single figures.

The Board is mindful that investors expect their funds to be managed for a competitive fee. The Board last renegotiated the fee payable to the Manager in 2018 and details can be found in the Director's Report section of the Annual report. The tiered structure of the fee will mean that as assets grow over time, the benefits of scale will be passed on to shareholders.

It is important that shareholders have access to both the Portfolio Manager and the Board. The Portfolio Manager meets with major shareholders, stock market analysts, journalists and other commentators during the year. The Chairman, Senior Independent Director and the other Directors are also available to meet shareholders.

As long term investors, we look to the future – the Portfolio Manager in constructing the portfolio and the Board in governing the Company. The performance of the Company and its reputation for transparency and good governance are paramount to its long term success for the benefit of all its stakeholders.

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 to adopt the going concern basis for at least twelve months from the date of this Annual Report. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out above. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement above.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com** to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 18 March 2020 and signed on its behalf by:

VIVIAN BAZALGETTE
Chairman

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
		revenue	capital	total	revenue	capital	total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains/(losses) on investments	10	–	183,944	183,944	–	(64,871)	(64,871)
Gains/(losses) on derivative instruments	11	–	17,516	17,516	–	(6,143)	(6,143)
Income	3	34,201	–	34,201	33,763	–	33,763
Investment management fees	4	(2,119)	(6,357)	(8,476)	(2,030)	(6,090)	(8,120)
Other expenses	5	(857)	–	(857)	(846)	–	(846)
Foreign exchange gains/(losses)		–	199	199	–	(17)	(17)
Net return/(loss) on ordinary activities before finance costs and taxation		31,225	195,302	226,527	30,887	(77,121)	(46,234)
Finance costs	6	(254)	(760)	(1,014)	(448)	(1,345)	(1,793)
Net return/(loss) on ordinary activities before taxation		30,971	194,542	225,513	30,439	(78,466)	(48,027)
Taxation on return/(loss) on ordinary activities	7	(2,155)	–	(2,155)	(1,706)	–	(1,706)
Net return/(loss) on ordinary activities after taxation for the year		28,816	194,542	223,358	28,733	(78,466)	(49,733)
Return/(loss) per ordinary share	8	7.00p	47.26p	54.26p	6.94p	(18.96p)	(12.02p)

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

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

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

The Notes below form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
Total shareholders' funds at 31 December 2018		10,411	58,615	5,414	844,043	36,828	955,311
Net return on ordinary activities after taxation for the year		–	–	–	194,542	28,816	223,358
Repurchase of ordinary shares	14	–	–	–	(1,578)	–	(1,578)
Dividends paid to shareholders	9	–	–	–	–	(36,529)	(36,529)
Total shareholders' funds at 31 December 2019		10,411	58,615	5,414	1,037,007	29,115	1,140,562
Total shareholders' funds at 31 December 2017		10,411	58,615	5,414	929,452	26,156	1,030,048
Net (loss)/return on ordinary activities after taxation for the year		–	–	–	(78,466)	28,733	(49,733)
Repurchase of ordinary shares	14	–	–	–	(6,943)	–	(6,943)
Dividend paid to shareholders	9	–	–	–	–	(18,061)	(18,061)
Total shareholders' funds at 31 December 2018		10,411	58,615	5,414	844,043	36,828	955,311

The Notes on pages below form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2019 COMPANY NUMBER 2638812

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	10	1,108,702	938,826
Current assets			
Derivative instruments	11	16,576	2,391
Debtors	12	5,134	6,405
Amounts held at futures clearing houses and brokers		2,029	4,279
Fidelity Institutional Liquidity Fund		46	1,847
Cash at bank		9,444	4,427
		33,229	19,349
Creditors			
Derivative instruments	11	(457)	(2,024)
Other creditors	13	(912)	(840)
		(1,369)	(2,864)
Net current assets		31,860	16,485
Net assets		1,140,562	955,311
Capital and reserves			
Share capital	14	10,411	10,411
Share premium account	15	58,615	58,615
Capital redemption reserve	15	5,414	5,414
Capital reserve	15	1,037,007	844,043
Revenue reserve	15	29,115	36,828
Total shareholders' funds		1,140,562	955,311
Net asset value per ordinary share	16	277.19p	231.77p

The Financial Statements above and below were approved by the Board of Directors on 18 March 2020 and were signed on its behalf by:

Vivian Bazalgette
Chairman

The Notes on pages below form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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

2 ACCOUNTING POLICIES
The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in October 2019 with consequential amendments. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

a) Basis of accounting – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments.

b) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

d) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

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

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

Interest received on CFDs, bank deposits and money market funds are accounted for on an accruals basis and credited to the revenue column of the Income Statement.

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

- The investment management fee is allocated 25% to revenue and 75% to capital; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange – The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated in the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on the translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

h) Finance costs – Finance costs comprise interest on deposits and interest paid on CFDs, which are accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are allocated 25% to revenue and 75% to capital.

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

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

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

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

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed.

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

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

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract; and

- Futures – the difference between the contract price and the quoted trade price.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included in gains/(losses) on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or creditors.

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

n) Amounts held at futures clearing houses and brokers – These are amounts held in segregated accounts as collateral on behalf of brokers and are subject to an insignificant risk of changes in value.

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

p) Fidelity Institutional Liquidity Fund plc – The Company holds an investment in the Fidelity Institutional Liquidity Fund plc, a short term money market fund investing in a diversified range of short term instruments. It is readily convertible to cash and is considered a cash equivalent.

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

- Gains and losses on the disposal of investments and derivative instruments;

- Changes in the fair value of investments and derivative instruments held at the year end;

- Foreign exchange gains and losses of a capital nature;

- 75% of investment management fees and finance costs;

- Dividends receivable which are capital in nature; and

- Costs of repurchasing ordinary shares.

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

3 INCOME

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Investment income		
Overseas dividends	29,019	26,394
Overseas scrip dividends	795	1,685
UK dividends	2,058	2,005
	------------------	------------------
	31,872	30,084
	==========	==========
Derivative income		
Income recognised from futures contracts	567	2,591
Dividends received on long CFDs	1,658	985
Interest received on long CFDs*	45	11
	------------------	------------------

	Year ended 31.12.19	Year ended 31.12.18
	2,270	3,587
Investment and derivative income	34,142	33,671
Other interest		
Interest received on deposits and money market funds	48	92
Interest received on tax reclaims	11	–
	59	92
Total income	34,201	33,763

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

No special dividends have been recognised in capital during the reporting year (2018: £671,000).

4 INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Investment management fees	2,119	6,357	8,476	2,030	6,090	8,120

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

From 1 April 2018, FII charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Prior to this date the investment management fees were charged at a rate of 0.85% of net assets. Fees are payable monthly in arrears and are calculated on a daily basis.

5 OTHER EXPENSES

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
AIC fees	22	21
Custody fees	112	113
Depositary fees	75	77
Directors' fees[1]	151	161
Legal and professional fees	55	101
Marketing expenses	189	146
Printing and publication expenses	126	112
Registrars' fees	75	67
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements[2]	29	25
Other expenses	23	23
	857	846

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report in the Annual Report.
2 The VAT payable on audit fees is included in other expenses.

6 FINANCE COSTS

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Interest paid on deposits	30	89	119	1	3	4
Interest paid on short CFDs[1]	27	81	108	64	193	257
Dividends paid on short CFDs	197	590	787	383	1,149	1,532
	254	760	1,014	448	1,345	1,793

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

7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	2,155	–	2,155	1,706	–	1,706
Total taxation charge for the year (see Note 7b)	2,155	–	2,155	1,706	–	1,706

b) Factors affecting the taxation charge for the year
The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19.00% (2018: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Net return/(loss) on ordinary activities before taxation	30,971	194,542	225,513	30,439	(78,466)	(48,027)
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2018: 19.00%)	5,884	36,963	42,847	5,783	(14,909)	(9,126)
Effects of:						
Capital (gains)/losses not taxable[1]	–	(38,315)	(38,315)	–	13,495	13,495
Income not taxable	(5,418)	–	(5,418)	(5,238)	–	(5,238)
Expenses not deductible	–	128	128	–	256	256
Expense relief for overseas taxation	(8)	–	(8)	(5)	–	(5)
Excess management expenses	(458)	1,224	766	(540)	1,158	618
Overseas taxation	2,155	–	2,155	1,706	–	1,706
Total taxation charge for the year (see Note 7a)	2,155	–	2,155	1,706	–	1,706

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

c) Deferred taxation
A deferred tax asset of £7,599,000 (2018: £6,914,000), in respect of excess expenses of £39,197,000 (2018: £35,165,000) and excess loan interest of £5,505,000 (2018: £5,505,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 RETURN/(LOSS) PER ORDINARY SHARE

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue	capital	total	revenue	capital	total
Return/(loss) per ordinary share	7.00p	47.26p	54.26p	6.94p	(18.96p)	(12.02p)

The returns/(losses) per ordinary share are based on, respectively; the net revenue return on ordinary activities after taxation for the year of £28,816,000 (2018: £28,733,000), the net capital gain on ordinary activities after taxation for the year of £194,542,000 (2018: loss of £78,466,000) and the net total return on ordinary activities after taxation for the year of £223,358,000 (2018: loss of £49,733,000), and on 411,645,789 ordinary shares (2018: 413,917,816), being the weighted average number of ordinary shares held outside of Treasury during the year.

9 DIVIDENDS PAID TO SHAREHOLDERS

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Dividends paid		
Interim dividend of 2.59 pence per Ordinary Share for the year ended 31 December 2019	10,657	–
Final dividend of 6.28 pence per Ordinary Share for the year ended 31 December 2018	25,872	–
Final dividend of 4.35 pence per Ordinary Share paid for the year ended 31 December 2017	–	18,061

	36,529	18,061
	==========	==========
Dividend proposed		
Final divided proposed of 3.88 pence per Ordinary Share for the year ended 31 December 2019	15,965	–
Final dividend of 6.28 pence per Ordinary Share for the year ended 31 December 2018	–	25,884
	------------------	------------------
	15,965	25,884
	==========	==========

The Directors have proposed the payment of a final dividend for the year ended 31 December 2019 of 3.88 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 12 May 2020 and has not been included as a liability in these Financial Statements. The dividend will be paid on 15 May 2020 to shareholders on the register at the close of business on 27 March 2020 (ex-dividend date 26 March 2020).

10 INVESTMENTS

	2019 £'000	2018 £'000
Investments held at fair value	1,108,702	938,826
	===========	===========
Opening book cost	723,726	679,196
Opening investment holding gains	215,100	331,918
	===========	===========
Opening fair value	938,826	1,011,114
Movements in the year		
Purchases at cost	127,818	169,608
Sales – proceeds	(141,886)	(177,025)
Sales – gains	46,247	51,947
Movement in investment holding gains/(losses)	137,697	(116,818)
	-------------------	-------------------
Closing fair value	1,108,702	938,826
	===========	===========
Closing book cost	755,905	723,726
Closing investment holding gains	352,797	215,100
	-------------------	-------------------
Closing fair value	1,108,702	938,826
	===========	===========

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Gains/(losses) on investments		
Gains on sales of investments	46,247	51,947
Investment holding gains/(losses)	137,697	(116,818)
	-------------------	-------------------
	183,944	(64,871)
	===========	===========

Investment transaction costs

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

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Purchases transaction costs	154	212
Sales transaction costs	62	70
	-------------------	-------------------
	216	282
	===========	===========

The portfolio turnover for the year was 12.7% (2018: 17.3%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average investment portfolio value of the Company.

11 DERIVATIVE INSTRUMENTS

	Year ended	Year ended

	31.12.19 £'000	31.12.18 £'000
Gains/(losses) on derivative instruments		
Gains on long CFD positions closed	333	1,715
(Losses)/gains on short CFD positions closed	(2,761)	1,577
Gains/(losses) on futures contracts closed	4,192	(12,725)
Movement in investment holding gains/(losses) on long CFDs	14,507	(477)
Movement in investment holding gains on short CFDs	720	2,849
Movement in investment holding gains on futures	525	918
	17,516	(6,143)

	2019 fair value £'000	2018 fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	16,576	2,391
Derivative instrument liabilities	(457)	(2,024)
	16,119	367

	2019 fair value £'000	2019 gross asset exposure £'000	2018 fair value £'000	2018 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	15,755	72,774	1,248	58,843
Short CFDs	501	13,973	(219)	19,348
Long futures	(137)	26,151	(662)	35,125
	16,119	112,898	367	113,316

12 DEBTORS

	2019 £'000	2018 £'000
Accrued income	375	1,199
Taxation recoverable	4,740	5,179
Other debtors and prepayments	19	27
	5,134	6,405

13 OTHER CREDITORS

	2019 £'000	2018 £'000
Creditors and accruals	912	840

14 SHARE CAPITAL

	2019 number of shares	2019 £'000	2018 number of shares	2018 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	412,172,826	10,304	415,202,177	10,380
Ordinary shares repurchased into Treasury	(706,777)	(18)	(3,029,351)	(76)

End of the year	411,466,049	10,286	412,172,826	10,304
Ordinary shares of 2.5 pence held in Treasury*				
Beginning of the year	4,275,084	107	1,245,733	31
Ordinary shares repurchased into Treasury	706,777	18	3,029,351	76
End of the year	4,981,861	125	4,275,084	107
Total share capital		10,411		10,411

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

The cost of ordinary shares repurchased into Treasury during the year was £1,578,000 (2018: £6,943,000).

15 RESERVES

The 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. It cannot be used to fund share repurchases.

The 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. It cannot be used to fund share repurchases.

The 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. Refer to Notes 10 and 11 above for information on investment holding gains/(losses) included in the reserve. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital. See Note 2 (q) above for further details.

The revenue reserve represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

16 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £1,140,562,000 (2018: £955,311,000) and on 411,466,049 (2018: 412,172,826) ordinary shares, being the number of ordinary shares of 2.5 pence each held outside of Treasury at the year end. It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

17 FINANCIAL INSTRUMENTS

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, key person, economic and political, discount control, gearing, derivatives and operational risks. Other risks identified are tax and regulatory and other operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report above.

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

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

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

Market price risk

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The level of gearing is reviewed by the Board and the Portfolio Manager. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Interest rate risk exposure

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

	2019 £'000	2018 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	57,019	57,595
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	14,474	19,129

Amounts held at futures clearing houses and brokers	2,029	4,279
Fidelity Institutional Liquidity Fund	46	1,847
Cash at bank	9,444	4,427
	25,993	29,682
Net exposure to financial instruments that bear interest	31,026	27,913

Due to negative interest rates during the year, the Company has received interest on its long CFDs and paid interest on its short CFDs and Euro amounts held as cash.

Foreign currency risk

The Company's net return/(loss) on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in exchange rates affecting the value of investments and derivative instruments;
- Movements in exchange rates affecting short term timing differences; and
- Movements in exchange rates affecting income received.

The portfolio management team monitor foreign currency risk but it is not the Company's current policy to hedge against currency risk.

Currency exposure of financial assets

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

2019

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	total £'000
Euro	703,676	72,774	1,517	3,598	781,565
Swiss franc	215,249	–	2,752	1,875	219,876
Norwegian krone	61,528	–	–	–	61,528
Danish krone	42,781	–	502	83	43,366
Swedish krona	32,749	–	–	–	32,749
US dollar	–	–	–	14	14
UK sterling	52,719	–	2,438	3,874	59,031
	1,108,702	72,774	7,209	9,444	1,198,129

2018

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	total £'000
Euro	617,503	93,968	2,901	4	714,376
Swiss franc	167,780	–	2,642	–	170,422
Norwegian krone	48,214	–	–	–	48,214
Danish krone	38,688	–	438	–	39,126
Swedish krona	17,445	–	–	–	17,445
UK sterling	49,196	–	6,550	4,423	60,169
	938,826	93,968	12,531	4,427	1,049,752

1 Debtors include amounts held at futures clearing houses and brokers and amounts invested in the Fidelity Institutional Liquidity Fund plc.

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

			2019
	short exposure to derivative instruments	other creditors	total
currency	£'000	£'000	£'000
Euro	13,973	–	13,973
UK sterling	–	912	912
	13,973	912	14,885

			2018
	short exposure to derivative instruments	other creditors	total
currency	£'000	£'000	£'000
Euro	19,348	–	19,348
UK sterling	–	840	840
	19,348	840	20,188

Other price risk
Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

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

Liquidity risk exposure
At 31 December 2019, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £457,000 (2018: £2,024,000) and other creditors of £912,000 (2018: £840,000).

Counterparty risk
Certain derivative instruments in which the Company invests are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. These are known as Over The Counter ("OTC") trades. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2019, £16,660,000 (2018: £1,125,000) was held by the brokers in cash in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised of: HSBC Bank Plc, £9,730,000 (2018:1,125,000) held in cash denominated in UK sterling and Goldman Sachs International Ltd £6,930,000 (2018: nil) held in cash denominated in UK sterling. At 31 December 2019, £2,029,000 (2018: £4,249,000) was held by the Company in cash, shown as amounts held at futures clearing houses and brokers on the Balance Sheet, in a segregated collateral account on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral comprised of: UBS AG £2,029,000 in cash denominated in UK sterling (2018: UBS AG £3,169,000, Deutsche Bank AG £590,000 and Goldman Sachs International Ltd £520,000, all in cash denominated in UK sterling).

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

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

- To gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital; and

- To position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2019, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £78,000 (2018: increased the net loss and decreased the net assets by £70,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2019, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have (decreased)/increased the Company's net return/(loss) on ordinary activities after taxation for the year and the Company's net assets by the following amounts:

If the UK sterling exchange rate had strengthened by 10% the impact would have been:

	2019	2018
currency	£'000	£'000
Euro	(69,781)	(63,184)
Swiss franc	(19,989)	(15,493)
Norwegian krone	(5,593)	(4,383)
Danish krone	(3,942)	(3,557)
Swedish krona	(2,977)	(1,586)
US dollar	(1)	–
	(102,283)	(88,203)

If the UK sterling exchange rate had weakened by 10% the impact would have been:

	2019	2018
currency	£'000	£'000
Euro	85,288	77,225
Swiss franc	24,431	18,936
Norwegian krone	6,836	5,357
Danish krone	4,818	4,347
Swedish krona	3,639	1,938
US dollar	2	–
	125,014	107,803

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2019, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £110,870,000 (2018: decreased the net loss and increased the net assets by £93,883,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative investments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 2019, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £8,495,000 (2018: decreased the net loss and increased the net assets by £7,462,000). A decrease of 10% in share prices of the investments underlying the derivative instruments would have had an equal and opposite effect.

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Note 2 (k) and (l) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

Fair value hierarchy

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Note 2 (k) and (l) above. The table below sets out the Company's fair value hierarchy:

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Investments	1,108,702	–	–	1,108,702
Derivative instrument assets	–	16,576	–	16,576
	1,108,702	16,576	–	1,125,278
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(137)	(320)	–	(457)

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
Investments	938,826	–	–	938,826
Derivative instrument assets	–	2,391	–	2,391
	938,826	2,391	–	941,217
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(662)	(1,362)	–	(2,024)

18 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet 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, both of which are detailed in the Strategic Report in the Annual Report. The principal risks and their management are disclosed in the Strategic Report and in Note 17 above.

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

	2019			
	gross asset exposure		net asset exposure	
	£'000	%[1]	£'000	%[1]
Investments	1,108,702	97.2	1,108,702	97.2
Long CFDs	72,774	6.4	72,774	6.4
Long futures	26,151	2.3	26,151	2.3
Total long exposures	1,207,627	105.9	1,207,627	105.9
Short CFDs	13,973	1.2	(13,973)	(1.2)
Gross/net asset exposure	1,221,600	107.1	1,193,654	104.7
Shareholders' funds	1,140,562		1,140,562	
Gearing[2]		7.1		4.7

	2018			
	gross asset exposure		net asset exposure	
	£'000	%1	£'000	%1
Investments	938,826	98.3	938,826	98.3
Long CFDs	58,843	6.1	58,843	6.1
Long futures	35,125	3.7	35,125	3.7
Total long exposures	1,032,794	108.1	1,032,794	108.1
Short CFDs	19,348	2.0	(19,348)	(2.0)
Gross/net asset exposure	1,052,142	110.1	1,013,446	106.1
Shareholders' funds	955,311		955,311	
Gearing[2]		10.1		6.1

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

19 TRANSACTIONS WITH THE MANAGERS AND RELATED PARTIES
FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FII"). Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report section of the Annual Report, and in Note 4 above. During the year, fees for portfolio management services amounted to £8,476,000 (2018: £8,120,000). At the Balance Sheet date, management fees of £752,400 (2018: £654,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £189,000 (2018: £146,000). At the Balance Sheet date, £7,000 (2018: £1,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report section of the Annual report. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £15,000 (2018: £16,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2019, Directors' fees of £14,000 were accrued and payable.

20 POST BALANCE SHEET EVENT

The Board has considered the risks arising from COVID 19 as part of its process to approve the Company's Financial Statements and the going concern assessment. The Board has taken into account the recent share price volatility and further information is provided in the Chairman's Statement above, the Portfolio Manager's Review above and in the Principal Risks above.

ALTERNATIVE PERFORMANCE MEASURES

TOTAL RETURN
Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms in the Annual Report). NAV total return includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 December 2019 and 31 December 2018.

2019	Net asset value per ordinary share	Share price
31 December 2018	231.77p	207.00p
31 December 2019	277.19p	260.00p
Change in year	+19.6%	+25.6%
Impact of dividend reinvestment	+4.2%	+5.0%
Total return for the year	+23.8%	+30.6%

2018	Net asset value per ordinary share	Share price
31 December 2017	248.08p	226.70p
31 December 2018	231.77p	207.00p
Change in year	- 6.6%	-8.7%
Impact of dividend reinvestment	+1.8%	+1.9%
Total return for the year	-4.8%	- 6.8%

ONGOING CHARGES
Ongoing charges are considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and other expenses expressed as a percentage of the average net asset values throughout the year.

	2019	2018
Investment management fees (£'000)	8,476	8,120

Other expenses (£'000)	857	846
Ongoing charges (£'000)	9,333	8,966
Average net assets (£'000)	1,076,838	1,021,359
	-------------------	-------------------
Ongoing charges ratio	0.87%	0.88%
	===========	===========

GEARING
Gearing is considered to be an alternative performance measure. See Note 18 above for details of the Company's gearing.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 December 2019 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2018 and 2019 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2018 is derived from the statutory accounts for 2018 which have been delivered to the Registrar of Companies. The 2019 Financial Statements will be filed with the Registrar of Companies in due course.

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

The Annual Report will be posted to shareholders later this month and additional copies will be available from the registered office of the Company and on the Company's website:

www.fidelityinvestmenttrusts.com where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

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

ENDS