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# Welcome to the Fidelity European Values PLC Annual Report 2019.

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

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

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# FIDELITY EUROPEAN VALUES PLC

Annual Report for the year ended 31 December 2019

# Investment Objective and Overview

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

“Fidelity European 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

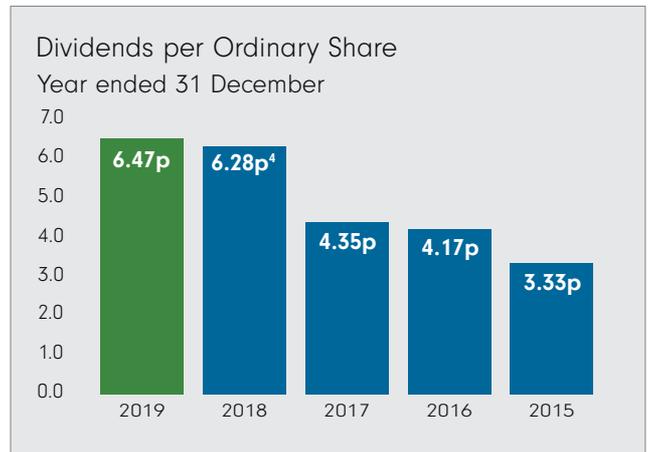
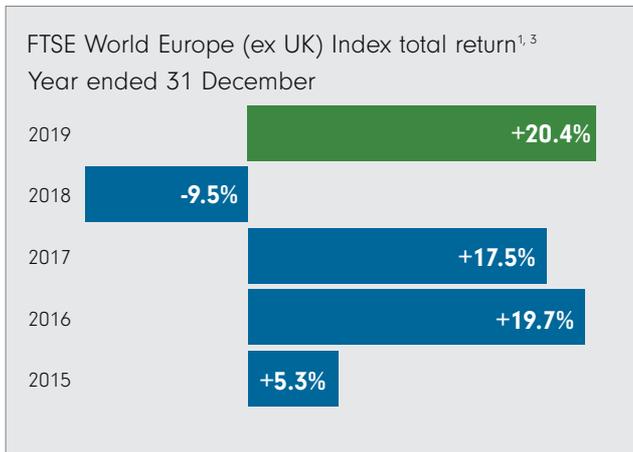
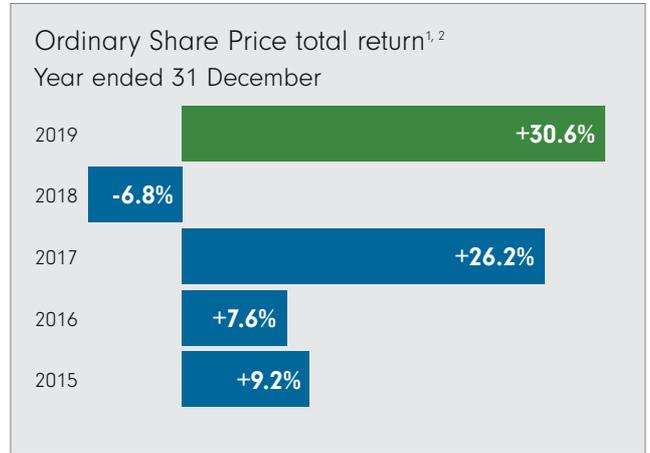
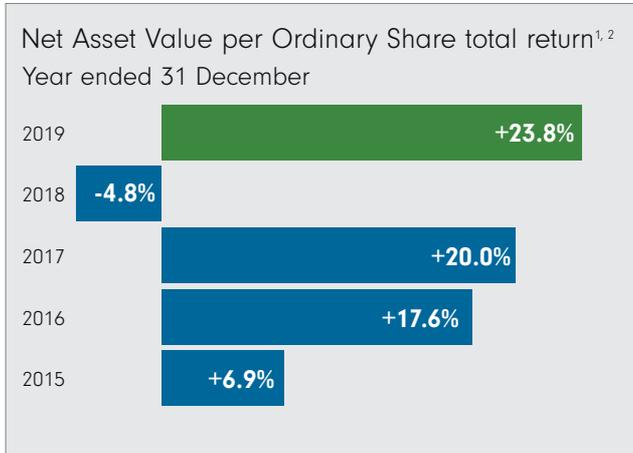
European companies with proven business models, attractive valuations and the ability to grow dividends both now and in the future. It’s these leaders with market-beating potential that have helped the Company outperform its Benchmark Index over the long term.”

Vivian Bazalgette, Chairman



# At a Glance

The Company's net asset value per ordinary share increased by 23.8% and the share price by 30.6%, whilst the Benchmark Index rose by 20.4% (all performance data on a total return basis).



1 Includes reinvested income.

2 Alternative Performance Measures. See page 69.

3 The Company's Benchmark Index.

4 Includes 1.79 pence as a result of the increased revenue from the change in the allocation of the management fees and finance costs.

## As at 31 December 2019

### Shareholders' Funds

£1,140.6m

### Market Capitalisation

£1,069.8m

### Capital Structure

Ordinary Shares of 2.5 pence held outside Treasury

411,466,049

## Summary of the key aspects of the Investment Policy

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

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

The Investment Manager must work within the guidelines set out in the Investment Policy.

## Change of Company Name

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. See page 2 for further details.

# Financial Highlights

	2019	2018
<b>Assets at 31 December</b>		
Gross Asset Exposure <sup>1</sup>	<b>£1,221.6m</b>	£1,052.1m
Gross Asset Exposure in excess of Shareholders' Funds (Gross Gearing – see Note 18 on page 67) <sup>2</sup>	<b>7.1%</b>	10.1%
Net Asset Exposure	<b>£1,193.7m</b>	£1,013.4m
Net Asset Exposure in excess of Shareholders' Funds (Net Gearing – see Note 18 on page 67) <sup>2</sup>	<b>4.7%</b>	6.1%
Shareholders' Funds	<b>£1,140.6m</b>	£955.3m
Net Asset Value ("NAV") per Ordinary Share	<b>277.19p</b>	231.77p
<b>Share Price and Discount data at 31 December</b>		
Share Price at year end	<b>260.00p</b>	207.00p
Share Price – year high	<b>263.50p</b>	239.00p
Share Price – year low	<b>207.00p</b>	202.00p
Discount at year end	<b>6.2%</b>	10.7%
Discount – year high	<b>11.5%</b>	12.1%
Discount – year low	<b>5.9%</b>	6.5%
<b>Results for the year ended 31 December – see page 48</b>		
Revenue return per Ordinary Share	<b>7.00p</b>	6.94p
Capital return/(loss) per Ordinary Share	<b>47.26p</b>	(18.96p)
Total return/(loss) per Ordinary Share	<b>54.26p</b>	(12.02p)
Final dividend proposed per Ordinary Share <sup>3</sup>	<b>3.88p</b>	6.28p
Interim dividend paid per ordinary share	<b>2.59p</b>	n/a
Total dividends for the year	<b>6.47p</b>	6.28p
Ongoing Charges for the year ended 31 December <sup>2,4</sup>	<b>0.87%</b>	0.88%

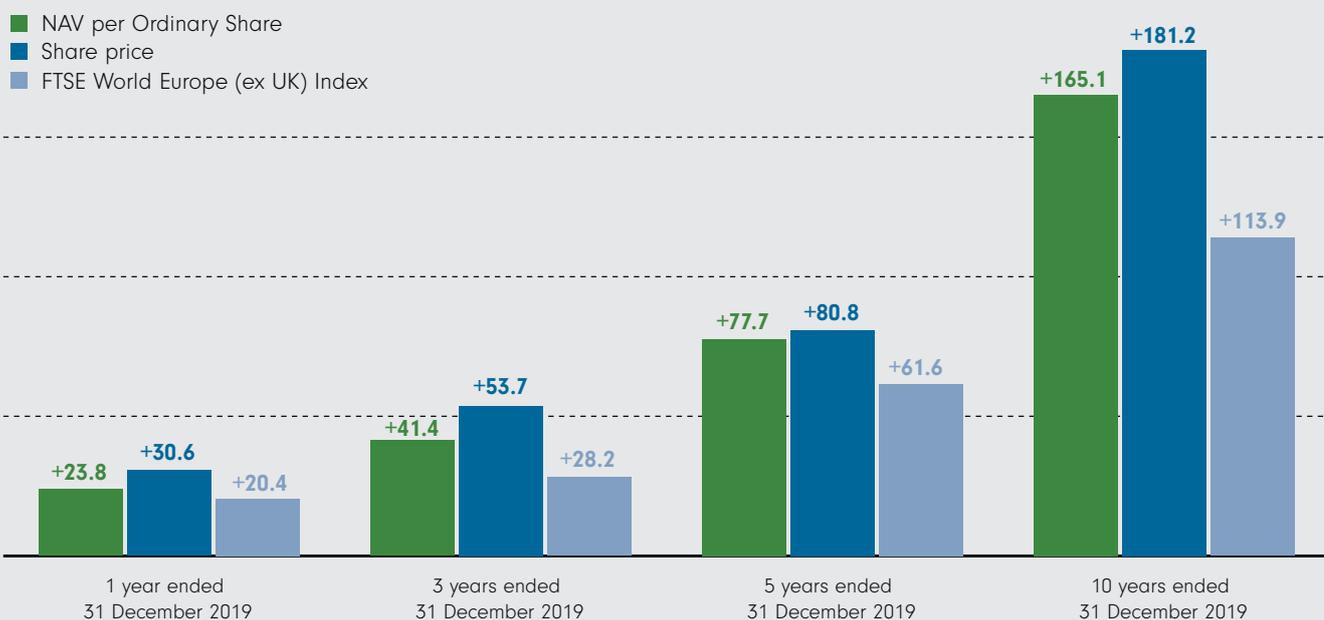
<sup>1</sup> The total exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments.

<sup>2</sup> Alternative Performance Measures. See page 69.

<sup>3</sup> The prior year dividend includes 1.79 pence as a result of the increased revenue from the change in the allocation of management fees and finance costs.

<sup>4</sup> Ongoing charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with guidance issued by the Association of Investment Companies). A definition of Ongoing Charges is in the Glossary of Terms on page 78.

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



<sup>1</sup> Includes reinvested income.

Sources: Fidelity and Datastream.  
Past performance is not a guide to future returns.

# Contents



## Chairman's Statement

Read more page 02



## Portfolio Manager's Review

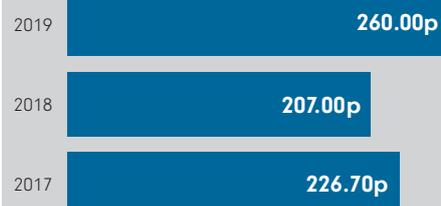
Read more page 06



## Top 10 Holdings

Read more page 11

Share Price as at 31 December



## Ten Year Record

Read more page 25

## Strategy

Chairman's Statement	02
Portfolio Manager's Review	06
Top 10 Holdings	11
Strategic Report	13
Portfolio Listing	20
Distribution of the Portfolio	22
Attribution Analysis	24
Ten Year Record	25
Summary of Performance Charts	26

## Governance

Board of Directors	28
Directors' Report	29
Corporate Governance Statement	32
Directors' Remuneration Report	36
Statement of Directors' Responsibilities	39
Report of the Audit Committee	40

## Financial

Independent Auditor's Report	43
Income Statement	48
Statement of Changes in Equity	49
Balance Sheet	50
Notes to the Financial Statements	51
Alternative Performance Measures	69

## Information for Shareholders

Notice of Meeting	70
Financial Calendar	73
Shareholder Information	74
Glossary of Terms	77
Alternative Investment Fund Manager's Disclosure	79

# Chairman's Statement



I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2019.

**Vivian Bazalgette, Chairman**

**£1,140.6m**

(As at 31 December 2019)  
Shareholders' Funds

**23.8%**

(Year ended 31 December 2019)  
Net Asset Value per Ordinary Share (total return)

**30.6%**

(Year ended 31 December 2019)  
Ordinary Share Price (total return)

**20.4%**

(Year ended 31 December 2019)  
Benchmark Index (total return)

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.

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 on page 10, 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

# Chairman's Statement continued

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 on page 24.

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 on page 28. 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](http://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 on page 75 of this 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, Oakhill House, 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 on pages 70 to 72 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](http://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



Sam Morse was appointed as Portfolio Manager of Fidelity European Values PLC on 1 January 2011. He has also managed the Fidelity European Fund since 1 December 2009. He first joined Fidelity as a research analyst and covered a range of sectors before becoming an equity income fund manager. He also worked as Head of Equities at M&G.

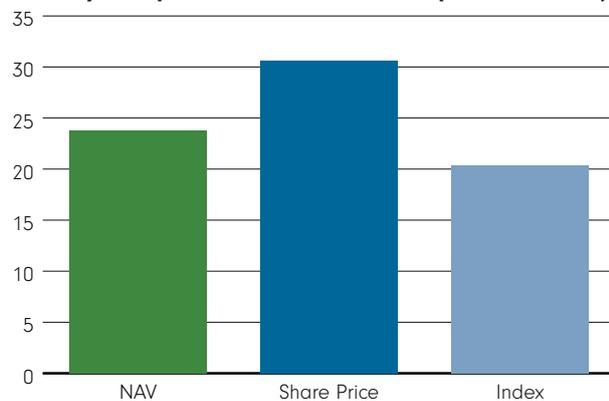
## Question

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.

### Fidelity European Values PLC - 2019 performance (%)



Source: Fidelity International, 31 December 2019

### EUR to GBP – Exchange Rate



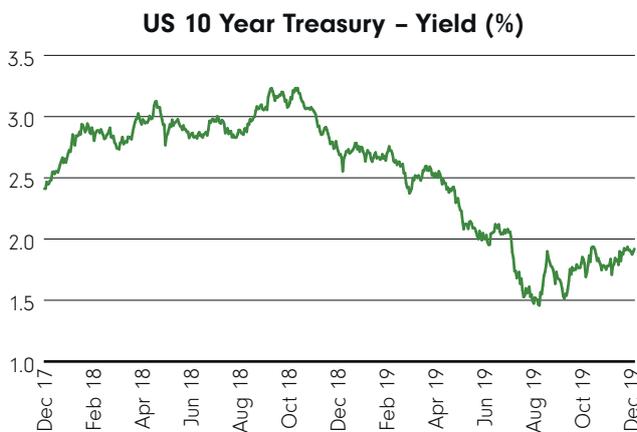
Source: DataStream, 31 December 2019

**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 next column 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!



Source: Fidelity International, 31 December 2019

**MSCI Europe ex UK Index - 2019 Return Drivers**



Source: Fidelity International, 31 December 2019

**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

# Portfolio Manager's Review continued

## 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

### 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 arbitrated 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.

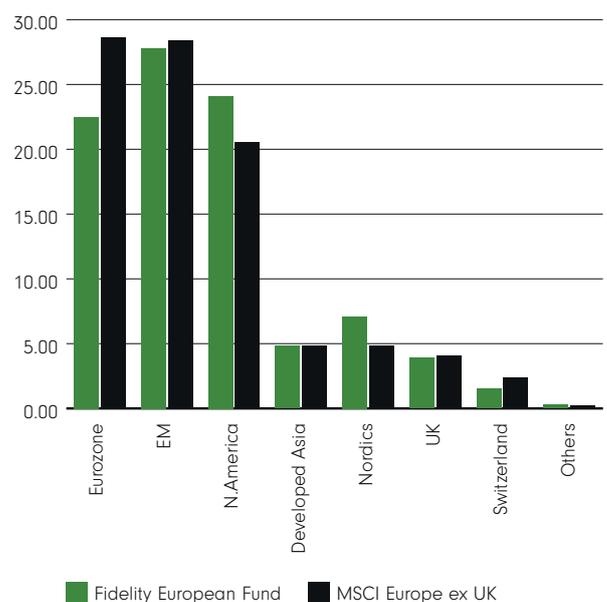
**Question**

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 below). 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.

**FTSE World Europe ex UK Index – Revenue Exposure by Geography**



Source: Factset, 31 December 2019

## Portfolio Manager's Review continued

### 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 on page 18.

### 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

# Top 10 Holdings

as at 31 December 2019

(based on Gross Asset Exposure expressed as a percentage of Shareholders' Funds)

**Industry** Packaged Food



**Nestlé (Switzerland)**

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**Gross Asset Exposure** 7.1%

Nestlé is the world's largest food and beverages company. It is a global company, with more than 2000 brands, which sells its products in over 190 countries. Nestlé was founded over 152 years ago in the merger of the Anglo-Swiss Milk Company established in 1866 by Charles and George Page, with Farine Nestlé. It expanded significantly during both World Wars – broadening its product set beyond its milk and infant formula ranges.

Today the company remains committed to expanding its product suite to reflect new consumer tastes and lifestyles. In January 2020, Nestlé acquired Zenpep, expanding its medical nutrition business and complementing its portfolio of therapeutic products.

**Industry** Pharmaceuticals



**Roche (Switzerland)**

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**Gross Asset Exposure** 5.4%

Swiss multinational healthcare giant Roche is the world's largest biotechnology company. It aims to improve the standard of care across oncology, immunology, infectious diseases, ophthalmology and neuroscience.

The company has been ranked as the most sustainable healthcare company by the Dow Jones Sustainability Indices for over 10 years.

In 1990, the group acquired a 60% stake in Genentech (US Biotech) and acquired the remaining 40% in 2009. Genentech has been one of the most productive biotech names in the last twenty years – with the discovery of Herceptin, Rituxan and Avastin, among others.

**Industry** Personal Goods



**LVMH Moët Hennessy (France)**

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**Gross Asset Exposure** 4.2%

French multinational luxury goods conglomerate LVMH Moët Hennessy ("LVMH") prides itself on being a 'world leader in luxury.' LVMH owns 75 brands, across wine and spirits, fashion and leather goods, perfume and cosmetics, watches and jewellery and selective retailing. It has a retail network of over 4,590 shops worldwide. Among the most renowned names in its stable are Dom Perignon, Moët & Chandon, Christian Dior, Marc Jacobs, Acqua di Parma and Chaumet.

In the last few years, there has been renewed focus on improvement of production methods and the development of digital activities.

**Industry** Software



**SAP (Germany)**

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**Gross Asset Exposure** 4.2%

SAP is a multinational software operation which manufactures enterprise software and provides cloud services to assist in the running of business operations and customer services.

In 2018, SAP was rated the most sustainable software company in the Dow Jones Sustainability Index for the twelfth consecutive year. The company has in excess of 437,000 customers in more than 180 countries.

**Industry** Oil & Gas



**Total (France)**

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**Gross Asset Exposure** 4.1%

Total is one of seven supermajor oil companies and has produced oil and gas for almost one hundred years. It has a presence in more than 130 countries and produces almost 2.8m barrel of oil equivalent per day of hydrocarbons. The company was founded after the First World War, when French president Raymond Poincaré encouraged the creation of a French oil company. Today Total has more than 100,000 employees across the globe focused on the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end consumer. The company has nearly 800 production sites.

# Top 10 Holdings continued

## Industry Pharmaceuticals



### Sanofi (France)

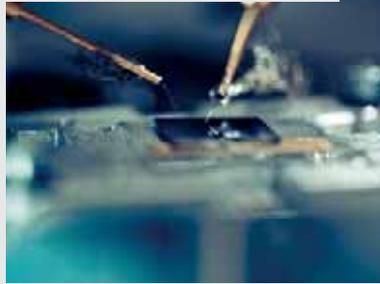
**Gross Asset Exposure**

**3.7%**

French biopharmaceuticals giant Sanofi has 75 manufacturing sites in 33 countries. There are five key healthcare areas of focus – diabetes and cardiovascular, speciality care, vaccines, consumer healthcare and general medicines, and emerging markets. The management team highlights a growing and aging global population as a supportive secular factor and points out that medical needs remain high.

Sanofi CEO Paul Hudson presented a refreshed strategy in December 2019 committing to prioritise key growth drivers (Dupixent and vaccines), to accelerate R&D focus on six potentially transformative medicines, as well as to improve operating efficiencies to fund growth and expand business operating income margin.

## Industry Semiconductors



### ASML (Netherlands)

**Gross Asset Exposure**

**3.6%**

Dutch company ASML is the largest supplier globally of photolithographic systems for the semiconductor industry. Its clients include most of the world's leading chip makers such as Intel and Samsung. ASML's products work with light sources, which generate ultraviolet light which is projected through a blueprint of a geometric chip pattern. Optics reduce and focus the pattern onto a thin slice of silicon, coated in a light-sensitive substance. The light interacts with the chemical, working to 'print' the pattern on to the wafer. Later in the process a three-dimensional structure is revealed, and the procedure is repeated multiple times.

## Industry Personal Goods



### L'Oréal (France)

**Gross Asset Exposure**

**3.2%**

The leading beauty manufacturer worldwide, L'Oréal has 36 brands and a presence in 150 countries. Demographic trends, particularly in emerging markets with their expanding middle class, are supportive. Research and development remain a priority for the management team which stresses the need for innovation and superior quality in a world of ratings and reviews.

## Industry Healthcare



### Novo Nordisk (Denmark)

**Gross Asset Exposure**

**3.0%**

Novo Nordisk is a global pharmaceuticals company with 16 production sites on five continents and research and development facilities in Denmark, China and the US. Its products are marketed in more than 170 countries and it employs more than 42,100 people. The company's mission is to drive change and defeat diabetes and other serious chronic diseases by discovering and developing innovative biological medicines and distributing these around the world.

## Industry Healthcare



### EssilorLuxottica (France)

**Gross Asset Exposure**

**2.9%**

EssilorLuxottica states that its mission is to "help people see more, be more and live life to its fullest." The French-Italian multinational was founded on 1 October 2018 from the incorporation of the Italian Luxottica by the French Essilor. The company is a leading designer and provider of ophthalmic lenses, optical equipment and prescription glasses. Among recent operating highlights are its expanded footprint in target areas, including Sunglass Hut in Europe, Ray-Ban in China and Oticar Carol in Brazil.

# Strategic Report

## INVESTMENT APPROACH

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 10 also form part of the Strategic Report.

### Business and Status

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

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

### Objective

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

### Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of investments, consisting primarily of continental European equities. As an investment company, it is able to gear the portfolio and the Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

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

### Investment Management Philosophy, Style and Process

The Portfolio Manager's three principles for investing in equities are:

- **Bottom up** – stock selection with a focus on dividend growth;
- **Long term** – a long term view improves performance and reduces costs; and
- **Cautious** – a focus on managing downside risk creates a strong foundation for long term outperformance.

The Portfolio Manager's key focus is on identifying attractively valued companies which show good long term structural growth prospects and which he believes can grow their dividends over the next few years, as he believes these are likely to outperform over time.

In order to identify these companies, the Portfolio Manager looks for the following main characteristics:

- **Positive fundamentals** – structural growth, disciplined use of capital, proven business models;
- **Cash generative** – often a good indication of future dividend growth;
- **Strong balance sheet** – ensures ability to grow dividends is not jeopardised; and
- **Attractive valuation** – good quality at a reasonable price.

The Portfolio Manager draws upon the extensive research generated by Fidelity's team of pan-European analysts when researching companies. This first hand research is fundamental to seeking success stories of the future. A great deal of importance is placed on attending company meetings. Being a bottom-up stock picker, the Portfolio Manager aims to generate outperformance through company selection, on a three to five year investment horizon, rather than through sector or country positions.

### Investment Policy

The Company invests predominantly in continental European companies with a view to achieving long term growth in both capital and income for shareholders. The portfolio is selected by the Investment Manager on the basis of its assessment of the fundamental value available in individual situations and with a typical focus on larger companies which show prospects for sustainable long term dividend growth. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not restricted in terms of size, industry, or geographical split, although certain investment restrictions apply in an attempt to diversify risk.

### Investment restrictions

- A minimum of 80 per cent of gross assets will be invested in companies from countries which are included in the Benchmark Index (the FTSE World Europe (ex UK) Index).
- A maximum of:
  - a) 20 per cent of gross assets may be invested in stocks of European countries\* which are not included in the Company's Benchmark Index. This will include investing in UK companies, defined as companies in the FTSE All-Share Index; and
  - b) 5 per cent of gross assets may be invested in stocks of non-European countries where those stocks have some exposure to, or connection with Europe. Any investments in this category will count towards the 20 per cent maximum limit in paragraph (a) above.

\* European country for the purposes of this paragraph means a country included within the FTSE All-World Europe Index and non-European is to be construed accordingly.

# Strategic Report continued

- A maximum of 10 per cent of the Company's gross assets may be invested in the aggregate of:
  - a) securities not listed on a recognised stock exchange; and
  - b) holdings in which the interest of the Company amounts to 20 per cent or more of the equity capital of any listed company.
- The Company will not invest more than 10 per cent of gross assets in any one quoted company at the time of acquisition.
- A maximum of 5 per cent of the Company's gross assets may be held in unquoted securities in aggregate at any one time.
- The maximum amount of cash or cash equivalents held by the Company will be 25 per cent of the Company's total net assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on derivatives. In practice the cash position will normally be much lower.
- The Board reserves the right to lend stock and/or assets of up to 10 per cent of the Company's total net assets.
- The Board reserves the right to hedge the portfolio by way of currency.
- A maximum of 10 per cent of the Company's gross assets may be invested in the securities of other investment companies (including listed investment trusts).

## Derivative instruments

The Company may utilise derivative instruments, including index-linked notes, futures, contracts for difference ("CFDs"), covered call options, put options and other equity-related derivative instruments on a limited basis as a tool to meet the investment objective of the Company. They are used principally in the following ways:

- As an alternative form of gearing to bank loans. The Company would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs.
- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost.
- To enhance the investment returns by taking short exposures on stocks that the Investment Manager considers to be over-valued.
- To enhance returns through writing covered call options and writing put options.

The Board has created strict policies and exposure limits and sub-limits to manage derivatives. These limits and their impacts are monitored by the Manager on a daily basis and reported regularly to the Board. The limits are:

- The aggregate exposure of the Company to equities, including as a result of borrowing and the use of derivatives, but excluding hedging, will not exceed 130 per cent of total net assets (a gearing level of 30 per cent) at the time at which any derivative contract is entered into or a security acquired.
- The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10 per cent of total net assets at the time at which any derivative contract is entered into.
- The aggregate exposure of the Company under covered call options, being the notional exposure of the calls, will not exceed 20 per cent of total net assets at the time at which any derivative is entered into. The notional exposure of covered call options is the number of contracts written x the notional contract size x the market value of the underlying share price.

The majority of the Company's exposure to equities will be through direct investment, not through derivatives. In addition, the limits on exposure to individual companies and groups will be calculated on the basis that the Company has acquired the securities to which any derivative is providing exposure.

## Gearing

The Company's normal policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing will be obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to securities selected by the Investment Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the order of magnitude of gearing in the Company while the Investment Manager decides gearing on a day-to-day basis within a range set by the Board. Gearing is reviewed at each Board meeting.

## Performance

The Company's performance for the year ended 31 December 2019, including a summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 10. The Portfolio Listing, the Distribution of the Portfolio, the Attribution Analysis, the Ten Year Record and the Summary of Performance Charts are set out on pages 20 to 27.

## Results and Dividends

The Company's results for the year ended 31 December 2019 are set out in the Income Statement on page 48. The revenue return was 7.00 pence and the capital return was 47.26 pence, giving a total return of 54.26 pence per ordinary share.

The Directors recommend a final dividend of 3.88 pence per share for the year ended 31 December 2019 to be paid on 15 May 2020 to shareholders who appear on the register as at the close of business on 27 March 2020 (ex-dividend date 26 March 2020). Together with the interim dividend of 2.59 pence

per share paid on 1 November 2019, the total dividends for the year are 6.47 pence per share.

### Key Performance Indicators

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

	Year ended 31 December 2019 %	Year ended 31 December 2018 %
NAV per Ordinary Share total return <sup>1</sup>	+23.8	-4.8
Ordinary Share Price total return <sup>1</sup>	+30.6	-6.8
FTSE World Europe (ex UK) Index total return	+20.4	-9.5
Discount to NAV	6.2	10.7
Ongoing Charges <sup>1,2</sup>	0.87	0.88

<sup>1</sup> Alternative Performance Measures. See page 69.

<sup>2</sup> The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

The Board monitors the above KPIs at each of its meetings, in particular the performance of the Company’s NAV and share price total returns against the Benchmark Index. It operates an active discount management policy which is detailed in the Chairman’s Statement on page 4. In addition to these KPIs, the Board also monitors the Company’s performance against its

peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 25 to 27 show this information.

### 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
<b>Market risk</b>	<p>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.</p> <p>The risk of the likely effects of the Coronavirus (COVID-19) on the markets is covered in the Chairman’s Statement on page 3 and the Portfolio Manager’s Review on page 10. 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.</p> <p>Risks to which the Company is exposed in the market risk category are included in Note 17 to the Financial Statements on pages 61 to 66 together with summaries of the policies for managing these risks.</p>
<b>Performance risk</b>	<p>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.</p>

# Strategic Report continued

Principal Risks	Description and Risk Mitigation
<b>Key person risk</b>	<p>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.</p>
<b>Economic and political risk</b>	<p>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.</p> <p>The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 10 provide more detail.</p>
<b>Discount control risk</b>	<p>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.</p>
<b>Gearing risk</b>	<p>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.</p>
<b>Derivatives risk</b>	<p>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.</p> <p>Further details on derivatives risk is included in Note 17 on pages 61 to 66.</p>
<b>Operational risks</b>	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security 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.</p> <p>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.</p>

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 Depository. 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 Depository 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 on pages 15 and 16.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on page 29.

### 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

# Strategic Report continued

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 on page 29 of the Director's 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.

## Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender. In terms of gender diversity, there were two female and three male Directors on the Board as at 31 December 2019. This changed to two female and four male Directors on 1 January 2020 when Sir Ivan Rogers was appointed on the Board. It will revert back to two female and three male Directors when Robin Niblett steps down from the Board on 12 May 2020. The Board's composition up to this date meets the target of 33% of women on FTSE 350 company Boards by 2020 which has been set by the Hampton-Alexander Review. After this date, it will exceed this target.

## Board Apprentice Scheme

During the year, the Board participated in the Board Apprentice Scheme (the "Scheme") with a view to offering a potential non-executive director of the future the opportunity to observe the workings of a board. The objective of the Scheme is to increase diversity on boards. The successful candidate started in November 2019 and will observe the meetings of the Board and its Committees for a period of one year. The apprentice will not receive a fee but the Board hopes that the experience will assist her ambition to become a non-executive director elsewhere at a point in the future.

## Environmental, Social and Governance ("ESG") in the investment process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at <https://www.fidelity.co.uk/responsible-investing/>

Fidelity has embedded Environmental, Social and Governance ("ESG") factors in its investment decision making process. Fidelity has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis.

Proprietary ESG analysis and ratings are provided by the analysts in Fidelity's investment teams and the portfolio managers are also active in analysing the potential effects of ESG factors when making investment decisions.

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

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

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

Fidelity operates analyst training and development programmes which include modules on ESG. This includes training throughout the year for equity and fixed income portfolio managers and analysts on various ESG themes, topics and strategies.

The ESG team will attend external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

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

### **Socially Responsible Investment**

The Manager's primary objective is to produce superior financial returns for the Company's shareholders. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in the Manager's view, these have a material impact on either investment risk or return. ESG factors which are taken into consideration are reported in both the Chairman's Statement on page 3 and the Portfolio Manager's Review on page 10.

### **Corporate Engagement**

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

### **Other Employees, Social, Community and Human Rights Issues**

The Company has no employees and all of its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees and the Company has not adopted a policy on human rights as it would not be directly applicable.

As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

### **Greenhouse Gas Emissions**

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investment Services (UK) Limited and FIL Investments International are registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

### **FUTURE DEVELOPMENTS**

Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 10.

By Order of the Board

**FIL Investments International**

Secretary

18 March 2020

# Portfolio Listing

## as at 31 December 2019

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

Long Exposures - shares unless otherwise stated	Gross Asset Exposure		Balance Sheet Value
	£'000	% <sup>1</sup>	£'000
<b>Nestlé</b>			
Packaged Food	80,629	7.1	80,629
<b>Roche</b>			
Pharmaceuticals	61,614	5.4	61,614
<b>LVMH Moët Hennessy</b>			
Personal Goods	48,091	4.2	48,091
<b>SAP</b>			
Software	47,551	4.2	47,551
<b>Total</b>			
Oil & Gas	46,949	4.1	46,949
<b>Sanofi (long CFD)</b>			
Pharmaceuticals	42,080	3.7	6,236
<b>ASML</b>			
Semiconductors	40,816	3.6	40,816
<b>L'Oréal</b>			
Personal Goods	36,980	3.2	36,980
<b>Novo Nordisk</b>			
Healthcare Services	34,260	3.0	34,260
<b>EssilorLuxottica</b>			
Health Care Equipment & Services	33,272	2.9	33,272
<b>Ten largest long exposures</b>	<b>472,242</b>	<b>41.4</b>	<b>436,398</b>
<b>Other long exposures</b>			
DNB	32,988	2.9	32,988
Intesa Sanpaolo	32,853	2.9	32,853
Legrand	31,639	2.8	31,639
Deutsche Boerse	31,271	2.7	31,271
Linde (long CFD)	30,694	2.7	9,519
Swedish Match	30,367	2.7	30,367
Telenor	28,540	2.5	28,540
Symrise	28,386	2.5	28,386
Royal Dutch Shell	26,663	2.4	26,663
Fresenius Medical Care	25,491	2.2	25,491
3i Group	23,511	2.1	23,511
Sampo	23,373	2.0	23,373
KBC Groupe	21,197	1.9	21,197

Long Exposures - shares unless otherwise stated	Gross Asset Exposure		Balance Sheet Value
	£'000	% <sup>1</sup>	£'000
Amadeus IT Group	20,966	1.8	20,966
ABN AMRO Bank	20,236	1.8	20,236
Schindler Holding	20,184	1.8	20,184
Dassault Systemes	19,782	1.7	19,782
MTU Aero Engines	19,608	1.7	19,608
Sika	19,119	1.7	19,119
Grifols	18,777	1.6	18,777
Partners Group	18,428	1.6	18,428
Hermes International	18,412	1.6	18,412
Sodexo	17,411	1.5	17,411
Edenred	16,965	1.5	16,965
Kone	15,849	1.4	15,849
DKSH Holding	15,275	1.3	15,275
Atlantia	14,373	1.3	14,373
Societe des Bains de Mer de Monaco	11,528	1.0	11,528
Andritz	11,515	1.0	11,515
Fielmann	11,388	1.0	11,388
Umicore	11,368	1.0	11,368
Red Electrica	11,175	1.0	11,175
Intertek Group	10,313	0.9	10,313
Iliad Group	8,686	0.8	8,686
Chr. Hansen	8,521	0.7	8,521
EQT	2,382	0.2	2,382
<b>Total long exposures before long futures</b>	<b>1,181,476</b>	<b>103.6</b>	<b>1,124,457</b>
<b>Long Futures</b>			
Euro Stoxx 50 Future March 2020	26,151	2.3	(137)
<b>Total long exposures after long futures</b>	<b>1,207,627</b>	<b>105.9</b>	<b>1,124,320</b>
<b>Short Exposures</b>			
Short CFDs (3 holdings)	13,973	1.2	501
<b>Gross Asset Exposure<sup>2</sup></b>	<b>1,221,600</b>	<b>107.1</b>	
<b>Portfolio Fair Value<sup>3</sup></b>			<b>1,124,821</b>
Net current assets (excluding derivative assets and liabilities)			15,741
<b>Shareholders' Funds (per Balance Sheet)</b>			<b>1,140,562</b>

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

2 Gross Asset Exposure comprises market exposure to investments of £1,108,702,000 (per Note 10: Investments on page 58) plus market exposure to derivative instruments of £112,898,000 (per Note 11: Derivative instruments on page 59).

3 Portfolio Fair Value comprises Investments of £1,108,702,000 plus derivative assets of £16,576,000 less derivative liabilities of £457,000 (per the Balance Sheet on page 50).

# Distribution of the Portfolio

as at 31 December 2019

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

	France	Germany	Switzerland	Netherlands	Norway	Spain	Italy	UK	Denmark	Finland	Other	Total 2019 <sup>1</sup>	Index 2019 <sup>2</sup>	Total 2018
<b>Basic Industries</b>														
Chemicals	-	5.2	-	-	-	-	-	-	-	-	1.0	6.2	4.2	6.0
Industrial Metals & Mining	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-
Forestry & Paper	-	-	-	-	-	-	-	-	-	-	-	-	0.5	-
Mining	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
	-	<b>5.2</b>	-	-	-	-	-	-	-	-	<b>1.0</b>	<b>6.2</b>	<b>5.2</b>	<b>6.0</b>
<b>Consumer Goods</b>														
Personal Goods	9.0	-	-	-	-	-	-	-	-	-	-	9.0	6.5	8.2
Food Producers	-	-	7.1	-	-	-	-	-	-	-	-	7.1	6.0	7.0
Tobacco	-	-	-	-	-	-	-	-	-	-	2.7	2.7	0.1	1.9
Household Goods & Home Construction	-	-	-	-	-	-	-	-	-	-	-	-	0.7	-
Leisure Goods	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-
Automobiles & Parts	-	-	-	-	-	-	-	-	-	-	-	-	3.4	-
Beverages	-	-	-	-	-	-	-	-	-	-	-	-	2.3	-
	<b>9.0</b>	-	<b>7.1</b>	-	-	-	-	-	-	-	<b>2.7</b>	<b>18.8</b>	<b>19.2</b>	<b>17.1</b>
<b>Consumer Services</b>														
Travel & Leisure	2.5	-	-	-	-	-	-	-	-	-	-	2.5	0.4	3.9
General Retailers	-	1.0	-	-	-	-	-	-	-	-	-	1.0	1.8	0.9
Media	-	-	-	-	-	-	-	-	-	-	-	-	1.1	-
Food & Drug Retailers	-	-	-	-	-	-	-	-	-	-	-	-	0.9	-
	<b>2.5</b>	<b>1.0</b>	-	-	-	-	-	-	-	-	-	<b>3.5</b>	<b>4.2</b>	<b>4.8</b>
<b>Financials</b>														
Banks	-	-	-	1.8	2.9	-	2.9	-	-	-	1.9	9.5	9.8	10.2
Financial Services	-	5.0	1.6	-	-	-	-	2.1	-	-	0.2	8.9	2.1	5.3
Non-Life Insurance	-	-	-	-	-	-	-	-	-	2.0	-	2.0	5.5	3.3
Life Insurance	-	-	-	-	-	-	-	-	-	-	-	-	0.8	-
Real Estate Investment & Services	-	-	-	-	-	-	-	-	-	-	-	-	1.3	-
Real Estate Investment Trust	-	-	-	-	-	-	-	-	-	-	-	-	0.7	-
	-	<b>5.0</b>	<b>1.6</b>	<b>1.8</b>	<b>2.9</b>	-	<b>2.9</b>	<b>2.1</b>	-	<b>2.0</b>	<b>2.1</b>	<b>20.4</b>	<b>20.2</b>	<b>18.8</b>
<b>Healthcare</b>														
Pharmaceuticals & Biotechnology	3.7	-	5.4	-	-	1.6	-	-	3.7	-	-	14.4	12.1	15.3
Healthcare Equipment & Services	2.9	2.2	-	-	-	-	-	-	-	-	-	5.1	3.4	5.0
	<b>6.6</b>	<b>2.2</b>	<b>5.4</b>	-	-	<b>1.6</b>	-	-	<b>3.7</b>	-	-	<b>19.5</b>	<b>15.5</b>	<b>20.3</b>

	France	Germany	Switzerland	Netherlands	Norway	Spain	Italy	UK	Denmark	Finland	Other	Total 2019 <sup>1</sup>	Index 2019 <sup>2</sup>	Total 2018
<b>Industrials</b>														
Industrial Engineering	-	-	1.8	-	-	-	-	-	-	1.4	1.0	4.2	3.8	6.5
Support Services	1.5	-	1.3	-	-	-	-	0.9	-	-	-	3.7	1.8	4.1
Electronic & Electrical Equipment	2.8	-	-	-	-	-	-	-	-	-	-	2.8	1.2	2.7
Aerospace & Defense	-	1.7	-	-	-	-	-	-	-	-	-	1.7	2.4	1.7
Construction & Materials	-	-	1.7	-	-	-	-	-	-	-	-	1.7	3.6	2.0
Industrial Transportation	-	-	-	-	-	-	1.3	-	-	-	-	1.3	2.0	1.6
General Industrials	-	0.3	-	-	-	-	-	-	-	-	-	0.3	1.6	0.5
	<b>4.3</b>	<b>2.0</b>	<b>4.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>0.9</b>	<b>-</b>	<b>1.4</b>	<b>1.0</b>	<b>15.7</b>	<b>16.4</b>	<b>19.1</b>
<b>Oil &amp; Gas</b>														
Oil & Gas Producers	4.1	-	-	0.7	-	-	0.5	1.7	-	-	-	7.0	3.9	8.0
Oil Equipment, Services & Distribution	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-
	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.0</b>	<b>4.3</b>	<b>8.0</b>
<b>Technology</b>														
Software & Computer Services	1.7	4.2	-	-	-	1.8	-	-	-	-	-	7.7	3.9	7.0
Technology Hardware & Equipment	-	-	-	3.6	-	-	-	-	-	-	-	3.6	3.2	3.1
	<b>1.7</b>	<b>4.2</b>	<b>-</b>	<b>3.6</b>	<b>-</b>	<b>1.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.3</b>	<b>7.1</b>	<b>10.1</b>
<b>Telecommunications</b>														
Mobile Telecommunications	-	-	-	-	2.5	-	-	-	-	-	-	2.5	1.4	2.4
Fixed Line Telecommunications	0.8	-	-	-	-	0.4	-	-	-	-	-	1.2	1.6	0.6
	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>
<b>Utilities</b>														
Electricity	-	-	-	-	-	1.0	-	-	-	-	-	1.0	2.7	2.9
Gas, Water & Multiutilities	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>4.9</b>	<b>2.9</b>
<b>Gross Asset Exposure - 2019</b>	<b>29.0</b>	<b>19.6</b>	<b>18.9</b>	<b>6.1</b>	<b>5.4</b>	<b>4.8</b>	<b>4.7</b>	<b>4.7</b>	<b>3.7</b>	<b>3.4</b>	<b>6.8</b>	<b>107.1</b>		
<b>Index - 2019</b>	<b>23.5</b>	<b>18.6</b>	<b>19.5</b>	<b>7.6</b>	<b>1.5</b>	<b>6.0</b>	<b>5.5</b>	<b>-</b>	<b>3.9</b>	<b>2.2</b>	<b>11.7</b>	<b>100.0</b>		
<b>Gross Asset Exposure - 2018</b>	<b>30.1</b>	<b>13.7</b>	<b>18.0</b>	<b>8.6</b>	<b>5.2</b>	<b>6.5</b>	<b>4.9</b>	<b>3.4</b>	<b>4.2</b>	<b>5.7</b>	<b>9.8</b>			<b>110.1</b>

1 The Distribution of the Portfolio shows Gross Asset Exposure expressed as a percentage of Shareholders' Funds.

2 FTSE World Europe (ex UK) Index.

# Attribution Analysis

## Analysis of change in NAV total return for the year ended 31 December 2019

	%
<b>Impact of:</b>	
Index	+27.0
Exchange Rate	-6.6
Gearing	+1.3
Stock Selection	+3.0
Expenses	-1.0
Share Repurchases	+0.1
<b>NAV total return for the year ended 31 December 2019</b>	<b>+23.8</b>

## Ten Highest Contributors to NAV total return (on a relative basis)

	%
ASML	+1.2
LVMH Möet Hennessy	+0.7
3i Group	+0.6
Legrand	+0.5
Telefonica	+0.4
MTU Aero Engines	+0.4
Linde	+0.4
Banco Santander	+0.3
Symrise	+0.3
Nokia	+0.3

## Ten Highest Detractors from NAV total return (on a relative basis)

	%
ABN AMRO Bank	-1.0
Telenor	-0.7
Red Electrica	-0.6
Sampo	-0.5
Royal Dutch Shell	-0.5
Andritz	-0.4
Iliad Group	-0.4
DKSH Holding	-0.4
Airbus	-0.4
Total	-0.4

Source: Fidelity.

# Ten Year Record

For the year ended 31 December	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Assets</b>										
Gross Asset Exposure (£m) <sup>1</sup>	<b>1,222</b>	1,052	1,166	902	782	761	742	685	562	716
Shareholders' Funds (£m)	<b>1,141</b>	955	1,030	875	760	725	711	616	518	661
NAV per Ordinary Share (p) <sup>2</sup>	<b>277.19</b>	231.77	248.08	210.75	182.57	174.09	168.58	142.90	116.86	133.58
<b>Share price data</b>										
Share Price (p) <sup>2</sup>	<b>260.00</b>	207.00	226.70	183.50	174.00	162.50	152.50	128.70	100.30	111.30
Discount to NAV (%) <sup>3</sup>	<b>6.2</b>	10.7	8.6	12.9	4.7	6.7	9.5	9.9	14.2	16.7
<b>Revenue and Costs</b>										
Revenue return per Ordinary Share (p) <sup>2</sup>	<b>7.00</b>	6.94	4.37	4.34	3.37	3.67	2.98	2.78	2.69	1.60
Dividend per Ordinary Share (p) <sup>2</sup>	<b>6.47<sup>4</sup></b>	6.28 <sup>5</sup>	4.35	4.17	3.33	3.64 <sup>6</sup>	2.98	2.78	2.65	1.58
Ongoing Charges (Cost of running the Company) <sup>3</sup>	<b>0.87</b>	0.88	0.93	0.99	0.94	0.97	0.96	0.98	0.94	0.91
<b>Gearing</b>										
Gross Gearing (%) <sup>3,7</sup>	<b>7.1</b>	10.1	13.2	3.0	2.8	5.0	4.3	11.1	8.6	4.6
Net Gearing (%) <sup>3,8</sup>	<b>4.7</b>	6.1	3.6	3.0	2.8	5.0	4.3	11.1	8.6	4.6
<b>Performance Total Returns</b>										
NAV per Ordinary Share (%) <sup>3</sup>	<b>+23.8</b>	-4.8	+20.0	+17.6	+6.9	+5.1	+20.0	+24.7	-11.5	+7.1
Share Price (%) <sup>3</sup>	<b>+30.6</b>	-6.8	+26.2	+7.6	+9.2	+8.7	+20.8	+31.3	-8.6	-1.3
Benchmark Index (%)	<b>+20.4</b>	-9.5	+17.5	+19.7	+5.3	+0.2	+25.2	+17.8	-14.7	+5.1

1 The Gross Asset Exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments. The amounts prior to 2011 represent total assets less current liabilities, excluding fixed term loan liabilities.

2 Figures prior to 2014 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014.

3 Alternative Performance Measures.

4 Includes an interim dividend of 2.59 pence per ordinary share paid on 1 November 2019.

5 Includes 1.79 pence from the additional revenue generated as a result of the change in the allocation of management fees and finance costs.

6 Includes a special dividend of 0.54 pence per ordinary share.

7 Gross Asset Exposure in excess of Shareholders' Funds. The amounts prior to 2011 represent total net assets, less bank loans plus cash at bank and cash funds, in excess of Shareholders' Funds.

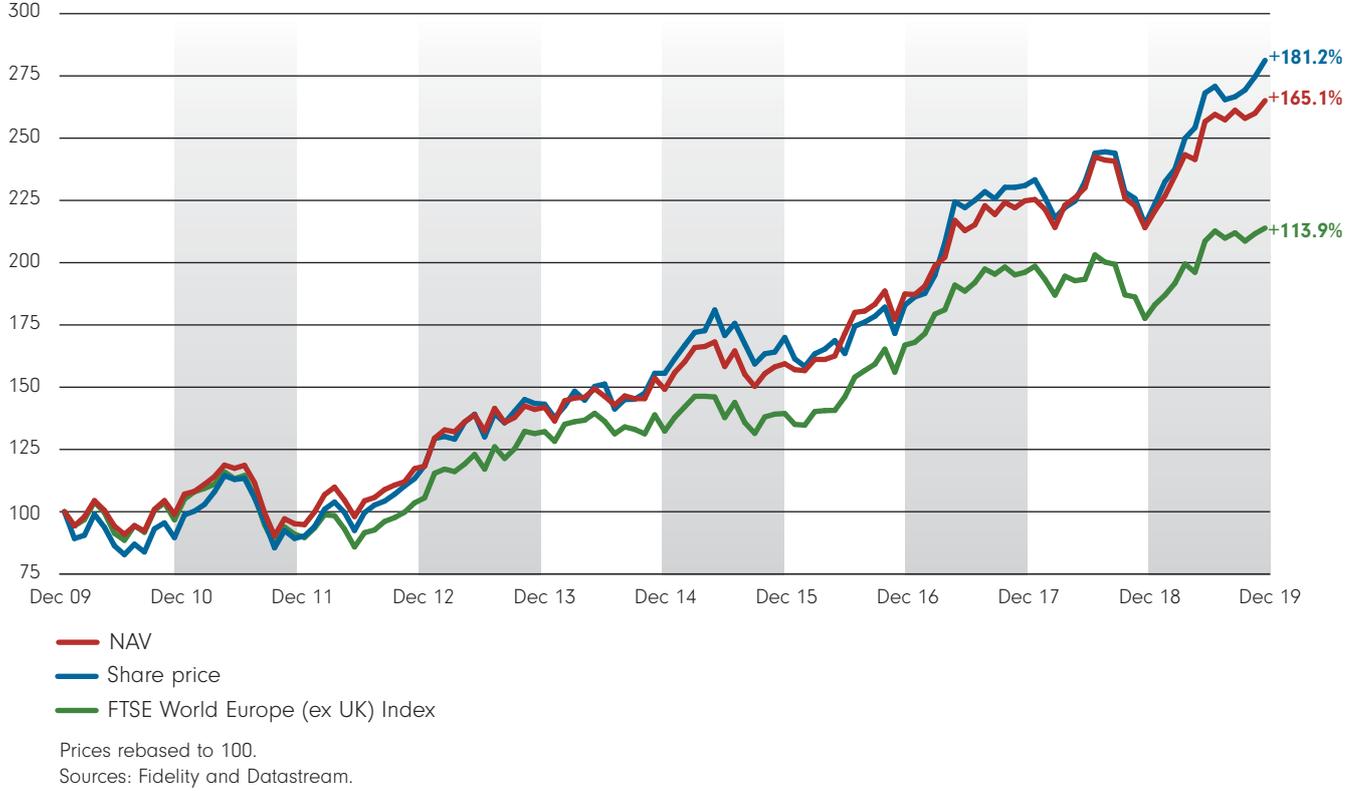
8 Net Asset Exposure in excess of Shareholders' Funds.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

# Summary of Performance Charts

**Total return performance for ten years to 31 December 2019**



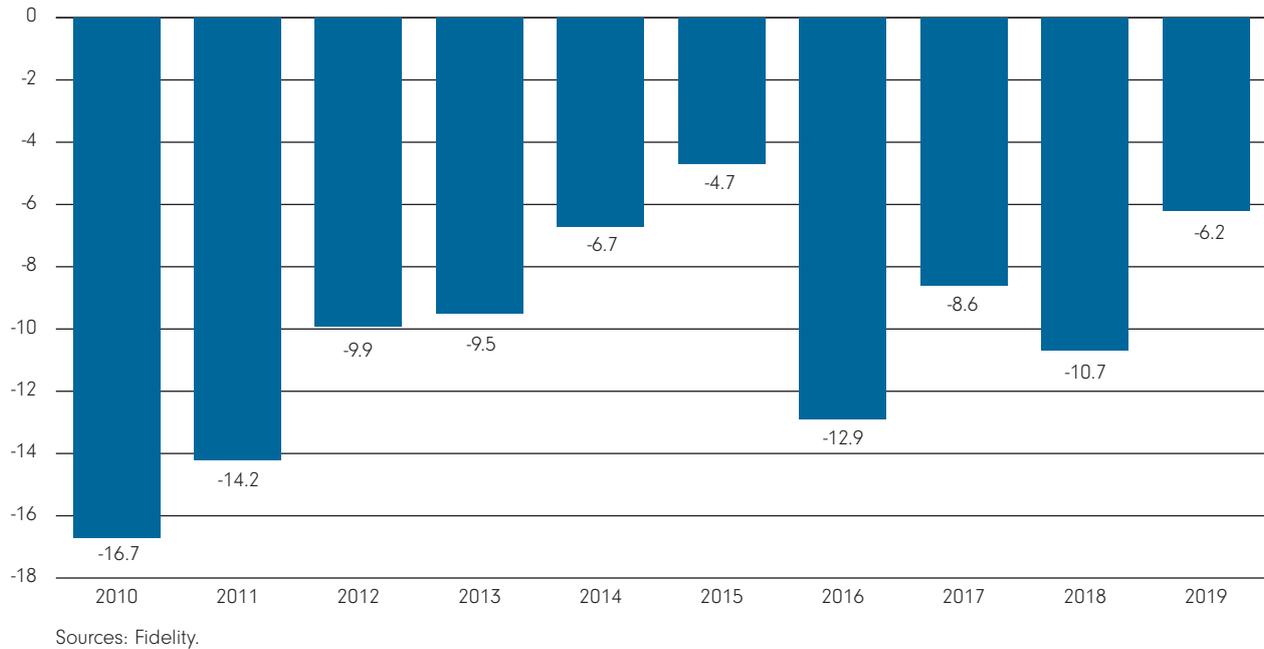
**NAV and ordinary share price for ten years to 31 December 2019**



**Total return performance relative to the Benchmark Index for ten years to 31 December 2019**



**Discount to NAV for the ten years to 31 December 2019 (%)**



# Board of Directors



**Vivian Bazalgette**  
Chairman (since 12 May 2016)  
Appointed 1 December 2015

M

Vivian Bazalgette is an Adviser to BAE Systems Pension Fund and is a Trustee of St. Christopher's Hospice. He was previously Chief Investment Officer at M&G PLC, a non-executive Director of St James's Place PLC, including Chairman of the Investment Committee of St James's Place, and a non-executive Director of Perpetual Income and Growth Investment Trust PLC, Henderson High Income Trust PLC and Brummer Investment Trust PLC.



**Fleur Meijs**  
Chair of the Audit Committee  
(since 14 May 2018)  
Appointed 1 September 2017

A M

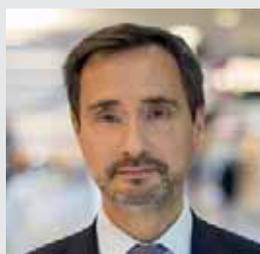
Fleur Meijs is a non-executive Director of Invesco Asia Trust plc and Ruffer LLP and she serves as Audit Committee Chair for both. She is also a Director of Bridge to the Future, the endowment fund for UWC (United World College) Mostar and UWC Mostar. She is a Chartered Accountant and was a Financial Services Partner at PricewaterhouseCoopers LLP until May 2016. She was also a member of the Dutch Parliamentary committee in 2013 for the structure of banks in the Netherlands.



**Marion Sears**  
Senior Independent Director  
(since 14 May 2018)  
Appointed 17 January 2013

A M

Marion Sears is a non-executive Director of Dunelm Group plc, Persimmon PLC and Aberdeen New Dawn Investment Trust PLC. She is a Director of WA Capital. Her executive career was in investment banking mergers and acquisitions, broking and the pharmaceutical industry.



**Robin Niblett**  
Director  
Appointed 14 January 2010

A M

Robin Niblett is the Director and Chief Executive of Chatham House (the Royal Institute of International Affairs) since 2007. He is a member of the World Economic Forum's Regional Future Council on Europe. He was also a Special Advisor to the House of Commons Foreign Affairs Select Committee from 2015 to 2017. Prior to this, he worked for the Centre for Strategic and International Studies in Washington, DC, becoming Executive Vice President in 2001 and also serving as Director of its Europe Programme from 2004 to 2006.



**Paul Yates**  
Director  
Appointed 6 March 2017

A M

Paul Yates is Chairman of the Advisory Board of 33 St James's Limited and is a non-executive Director of Witan Investment Trust plc, The Merchants Trust plc and Capital Gearing Trust P.l.c. He has an extensive career in investment management and he was CEO of UBS Global Asset Management (UK) Limited and in a number of global roles at UBS prior to retiring in 2007. He was also a non-executive Director of Aberdeen Diversified Income and Growth Trust plc.



**Sir Ivan Rogers**  
Director  
Appointed 1 January 2020

A M

Sir Ivan Rogers is a former British civil servant, formerly the Permanent Representative of the UK to the European Union for over three years until the beginning of 2017. Prior to 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 and the EU and G20 Sherpa. For the majority of his career, he has worked closely with and for the UK government and EU institutions. In addition, he spent five years in the private sector holding senior public sector banking roles for Citigroup UK and Barclays Capital.

All Directors are non-executive Directors and all are considered to be independent.

## Committee membership key

**A** Audit    **M** Management Engagement    **A** Audit Committee Chair    **M** Management Engagement Committee Chairman

# Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2019.

The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the registered number 2638812 and was launched as an investment trust on 5 November 1991.

## Management Company

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

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated, pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

FIL Limited has no beneficial interest in the shares of the Company (2018: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 34.

## Management Fee

Since 1 April 2018, the Company has had a tiered fee arrangement in place which provides a reduction from the previous fee structure. An annual fee rate of 0.85 per cent applies to the first £400 million of the Company's net assets and a lower rate of 0.75 per cent applies to net assets in excess of £400 million. There continues to be no additional company secretarial fee. There is no change to the investment process as a result of the revised fee. Fees for the reporting year were £8,476,000 (2018: £8,120,000) and are disclosed in Note 4 on page 54.

## The Board

All Directors served on the Board throughout the year ended 31 December 2019 and up to the date of this report with the exception of Sir Ivan Rogers who was appointed to the Board on 1 January 2020. A brief description of all serving Directors as at the date of this Annual Report is shown on page 28 and indicates their qualifications for Board membership.

## Directors' and Officers' Liability Insurance

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

## Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (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 on pages 15 and 16. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 17.

## Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 12 May 2020.

## Disclosure Of Information to the Company's Auditor

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

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

## Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 32 to 35.

## Registrar, Custodian and Depository Arrangements

The Company has appointed Link Asset Services as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depository, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 55.

## Share Capital

The Company's share capital comprises ordinary shares of 2.5 pence each which are fully listed on the London Stock Exchange. As at 31 December 2019, the issued share capital of the Company was 416,447,910 ordinary shares (2018: 416,447,910) of which 4,981,861 shares (2018: 4,275,084) are held in Treasury. Shares in Treasury do not have voting rights and therefore the total number of shares with voting rights was 411,466,049 (2018: 412,172,826).

## Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or holding in Treasury. The

## Directors' Report continued

Board will exercise these authorities if deemed to be in the best interests of shareholders at the time. Details of the Board's discount management policy can be found in the Chairman's Statement on page 4.

### Share Issues

No ordinary shares were issued during the year to 31 December 2019 (2018: nil) and none have been issued since the year end and as at the date of this Annual Report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 12 May 2020 and therefore resolutions to renew these authorities will be put to shareholders at this AGM.

### Share Repurchases

During the year to 31 December 2019, the Company repurchased 706,777 ordinary shares for holding in Treasury (2018: 3,029,351). No shares have been repurchased since the year end and as at the date of this Annual Report.

The authority to repurchase ordinary shares expires at the AGM on 12 May 2020 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

### Substantial Share Interests

As at 31 December 2019 and 28 February 2020, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	31 December 2019 %	29 February 2020 %
Fidelity Platform Investors	16.76	16.65
Wells Capital Management	8.49	8.37
Rathbones	5.53	5.52
Quilter Cheviot Investment Management	5.15	5.72
1607 Capital Partners	4.56	3.46
Hargreaves Lansdown	4.12	4.23
Interactive Investors	3.41	3.46
Brewin Dolphin	3.15	3.83

An analysis of shareholders as at 31 December 2019 is detailed in the table below.

Shareholders as at 31 December 2019	% of voting share capital
Private Investors <sup>1</sup>	71.57
Mutual Funds	18.88
Pension Funds	3.46
Insurance Funds	3.08
Hedge Funds	2.60
Trading	0.41
<b>Total</b>	<b>100.00</b>

<sup>1</sup> Includes Fidelity Platform Investors (16.76%).

### Additional Information required in the Directors' Report

Information on proposed dividends, financial instruments and greenhouse gas emissions is set out in the Strategic Report on pages 14 to 19.

### ANNUAL GENERAL MEETING

#### **THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

#### **Fidelity Platform Investors**

If you hold your shares in the Company through the Fidelity platform, then Fidelity passes on the right to attend and vote at the Company's AGM and vote on the proposed resolutions. Investors may vote online and register their intention to attend the AGM via the Broadridge Service (a company that specialises in investor voting facilities) as explained in previous correspondence from Fidelity. Investors can sign up to this facility via their Fidelity Investor Account.

In view of the emerging public health impact of the Coronavirus (COVID-19) and in the interests of your well-being as investors, we have changed the format of the AGM this year and we are actively encouraging you to vote via the Broadridge Service rather than voting in person. If you do plan to attend in person, please observe any restrictions on attendance at public gatherings mandated by official Government advice at the time.

#### **Shareholders on the Main Share Register**

Link Asset Services, the Registrar, introduced a paperless proxy voting process last year. However, in view of the public health impact of the Coronavirus (COVID-19) and your well-being as shareholders, for this year's AGM we are sending a paper Proxy Form to all shareholders on the main share register so that you are able to vote in advance of the meeting making it unnecessary to attend in person and therefore minimise the health risks associated with COVID-19.

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

At the AGM on 12 May 2020, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 70 and 71, including the items of special business summarised below.

#### **Authority to Allot Shares**

Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £520,560. If passed, this resolution will enable the Directors to allot a maximum of 20,822,395 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 18 March 2020, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

#### **Authority to Disapply Pre-Emption Rights**

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £520,560 (including Treasury shares) (approximately 5% of the issued ordinary share capital of the Company as at 18 March 2020 and equivalent to 20,822,395 ordinary shares).

#### **Authority to Repurchase Shares**

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (61,678,760) of the ordinary shares in issue (excluding Treasury shares) on 18 March 2020, either for immediate cancellation or for retention as Treasury shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

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

By Order of the Board  
**FIL Investments International**  
 Secretary  
 18 March 2020

# Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment company.

## Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018. The Board also follows the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 39, set out how the principles have been applied.

The AIC Code can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk) and the UK Code can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

## Statement of Compliance

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

## THE BOARD

### Board Composition

As at the date of this report, the Board, chaired by Vivian Bazalgette, consists of six non-executive Directors and will revert to five non-executive directors when Robin Niblett steps down from the Board at the conclusion of the AGM on 12 May 2020. The Directors believe that, between them, they have good knowledge and wide experience, of Europe and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

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

As at the date of this report, Robin Niblett had completed ten years on the Board. As explained in last year's Annual report the Board asked him to remain on the Board until the AGM in

May this year due to the unique contribution Robin makes to the Board and the Company on the European political and economic climate from his position with Chatham House (the Royal Institute of International Affairs) and as a member of the World Economic Forum's Regional Future Council on Europe. This knowledge is an invaluable asset which contributes to the collective skills of the Board.

Biographical details of all the Directors are on page 28.

## Board Responsibilities

All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters reserved for the Board and considered at meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, and the appointments of the Manager and the Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All Directors are considered to be independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none has arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

## Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 33 gives the attendance record of each Director for the meetings held during the reporting year. Sir Ivan Rogers is not included in this table as he was appointed after the reporting year end. The Portfolio Manager and key representatives of the Manager also attend these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Vivian Bazalgette	5/5	3/3*	1/1
Fleur Meijs	5/5	3/3	1/1
Robin Niblett	5/5	3/3	1/1
Marion Sears	5/5	3/3	1/1
Paul Yates	5/5	3/3	1/1

\* Vivian Bazalgette, as Chairman of the Board, was invited to all three Audit Committee meetings held in the reporting year.

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

In addition to the formal Board and Committee meetings, the Board undertakes a two day due diligence trip to Europe every other year and a trip was undertaken in November 2019. Details of this trip are in the Chairman's Statement on page 3. The next due diligence trip will be in 2021. The Directors also have meetings with Fidelity's Head of Investment Trusts and attend educational days organised by the Manager.

#### Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring Board procedures are followed and that applicable rules and regulations are complied with.

#### Changes to the Board

Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. Any proposal for the appointment of new Directors is discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants who have no connection with the Company are used to identify potential candidates.

In the reporting year, the Board appointed Fletcher Jones, who have no connection with the Company, to assist in recruiting a replacement Director for Robin Niblett. Knowledge of European politics was a key focus in the recruitment process. In addition, the Board considered several criteria in the recruitment process such as skills, experience and diversity in determining the best candidate. As a result of this process, Sir Ivan Rogers was appointed to the Board on 1 January 2020 and his biography can be found on page 28.

#### Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operation and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's

Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

#### Election and Re-election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for election and re-election at this year's AGM are listed with their details on page 28. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM on 12 May 2020.

#### Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. The evaluation process takes the form of written questionnaires and discussions. For the year under review, the performance and contribution to the Company of each Director was considered using written questionnaires. The performance of the Chairman was evaluated by the other Directors in the Chairman's absence. It was concluded that the Chairman and each Director had been effective and that they continue to demonstrate commitment to their roles. The evaluation found that the Board functioned well with the right balance of membership and skills. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of these results. The tenure of each individual Director is also considered during the evaluation process.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation of the Board every third year. The next external evaluation will be for the Company's year ending 31 December 2020.

#### Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 37 and 38.

# Corporate Governance Statement continued

## BOARD COMMITTEES

The Board has two Committees through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee and the Management Engagement Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

### The Audit Committee

The Audit Committee is chaired by Fleur Meijs and consists of all of the Directors with the exception of Vivian Bazalgette which is in line with the recommendation of the 2018 UK Corporate Governance Code that a chairman of a board should not be a member of an audit committee. Mr Bazalgette is therefore not a member of the Audit Committee but is generally invited to attend the Audit Committee meetings as a guest.

Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 40 to 42.

### The Management Engagement Committee

#### Composition

The Management Engagement Committee is chaired by Vivian Bazalgette and consists of all of the Directors.

#### Role and Responsibilities

It is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders. It meets at least once a year and reports to the Board, making recommendations where appropriate.

#### Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee basis and also that of its peers. The Committee noted the Company's good long term performance record and the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the fee structure for the year ended 31 December 2019 is in the Directors' Report on page 29.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

Set out on page 39 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 43 to 47.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual, half-yearly and other price sensitive public reports and reports to regulators, and provides information required to be presented by statutory requirements. All such reports are reviewed by the Audit Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

## Risk Management and Internal Controls

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

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

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place in order to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2019 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

### Whistle-Blowing Procedure

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

### Bribery Act 2010

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

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

### Criminal Finances Act 2017

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

### Responsibility as Institutional Shareholder

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

### Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors, are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and its shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or write to the address provided on page 75. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

Under normal circumstances, the Board would encourage all shareholders to attend the AGM. However, as explained in the Chairman's Statement on page 5, for this year's AGM on 12 May 2020, we have had to change the format and it will be restricted to the formal business of the meeting. 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.

Those who are planning to attend are requested to please observe the official Government advice at the time of the meeting and follow the required restrictions on their attendance at public gatherings.

In accordance with Fidelity's policy with the Coronavirus (COVID-19) outbreak, the Portfolio Manager will not attend the AGM and his presentation will be pre-recorded and made available on the website [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com) in advance of the meeting. Paper copies of the presentation can be requested from the Secretary, contact details for which can be found on page 75 of this report.

The Notice of Meeting on pages 70 to 72 sets out the business of the AGM and the special business resolutions are explained more fully on pages 30 and 31 of the Directors' Report.

A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

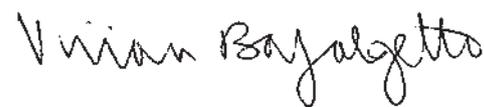
### Voting Rights in the Company's Shares

Every person entitled to vote on a show of hands has one vote. On a poll, every shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

### Articles of Association

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

On behalf of the Board



**Vivian Bazalgette**

Chairman  
18 March 2020

# Directors' Remuneration Report

## Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2019 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no chief executive and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

Ordinary resolutions to approve both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 12 May 2020. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 43 to 47.

## Directors' Remuneration

The annual fee structure with effect from 1 January 2020 is: Chairman – £41,500 (2019: £40,000); Chairman of the Audit Committee – £32,500 (2019: £30,000); and Director – £27,000 (2019: £26,000). In addition, since 14 May 2018, the Senior Independent Director receives a supplementary fee of £2,500. Directors' remuneration is reviewed on an annual basis to ensure that it remains competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third Annual General Meeting ("AGM"). A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 15 May 2017, is set out below and no changes are recommended except for the update to the provision reference in relation to the updated 2018 UK Corporate Governance Code. The updated Policy will be put to shareholders for approval at the AGM on 12 May 2020.

## The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts.

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

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

In common with most investment trusts there is no Chief Executive Officer and there are no employees.

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

## Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 15 May 2017 with 99.31% of votes cast in favour, 0.46% of votes cast against and 0.23% of votes withheld. The next vote will be put to shareholders at the AGM on 12 May 2020 and the votes cast will be disclosed on the Company's pages of the Manager's website at: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com). The Policy has been followed throughout the year ended 31 December 2019 and up to the date of this report.

## Voting on the Directors' Remuneration Report

At the AGM held on 13 May 2019, 96.17% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2018, 0.05% of votes were cast against and 3.78% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2019 will be put to shareholders at the AGM on 12 May 2020, and the votes cast will be disclosed on the Company's pages of the Manager's website at: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

## Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year under review was £150,500 (2018: £161,166). This includes expenses incurred by Directors in attending to the affairs of the Company which are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are disclosed in the table on the next page.

	2020 Projected Total (£)	2019 Fees (Audited) (£)	2019 Taxable Expenses* (Audited) (£)	2019 Total (Audited) (£)	2018 Fees (Audited) (£)	2018 Taxable Expenses* (Audited) (£)	2018 Total (Audited) (£)
<b>Remuneration of Directors</b>							
Vivian Bazalgette	41,500	40,000	-	40,000	40,000	-	40,000
Fleur Meijs <sup>1</sup>	32,500	30,000	-	30,000	28,549	-	28,549
Robin Niblett <sup>2</sup>	9,800	26,000	-	26,000	26,000	-	26,000
James Robinson <sup>3</sup>	n/a	n/a	n/a	n/a	12,500	437	12,937
Sir Ivan Rogers <sup>4</sup>	27,000	n/a	n/a	n/a	n/a	n/a	n/a
Marion Sears <sup>5</sup>	29,500	28,500	-	28,500	27,593	87	27,680
Paul Yates	27,000	26,000	-	26,000	26,000	-	26,000
<b>Total</b>	167,300	150,500	-	150,500	160,642	524	161,166

\* Travel expenses incurred in attending to the affairs of the Company.

1 Appointed as Audit Committee Chair on 14 May 2018.

2 Retiring on 12 May 2020.

3 Retired on 14 May 2018.

4 Appointed on 1 January 2020.

5 Appointed as Senior Independent Director on 14 May 2018.

### Expenditure on Directors' Remuneration and Distributions to Shareholders

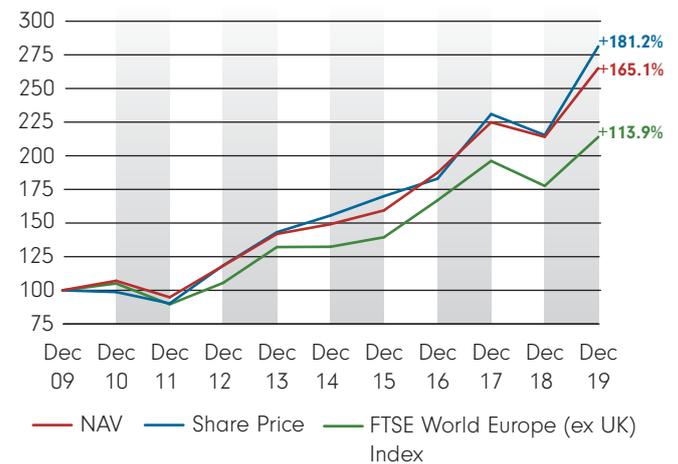
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 December 2020 is disclosed in the table above.

	December 2019 £	December 2018 £
Expenditure on Directors' Remuneration:		
Fees and taxable expenses	150,500	161,166
Distributions to Shareholders:		
Dividend payments	36,529,000	18,061,000
Shares repurchased	1,578,000	6,943,000

### Performance

The Company's investment objective is to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index for ten years to 31 December 2019.

### Total return performance for ten years to 31 December 2019



# Directors' Remuneration Report continued

## Directors' Interest in the Ordinary Shares

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

## Directors' Shareholdings (Audited)

	31 December 2019	31 December 2018	Change during year
Vivian Bazalgette	30,000	30,000	-
Fleur Meijs <sup>1</sup>	28,970	16,970	12,000
Robin Niblett	18,625	18,625	-
Marion Sears <sup>2</sup>	25,475	25,475	-
Paul Yates	32,000	32,000	-

<sup>1</sup> Purchase of shares.

<sup>2</sup> 19,000 shares held by self and 6,475 shares held by connected persons.

All Directors' shareholdings remain unchanged at the date of this report. Sir Ivan Rogers is not included in the table above as he was appointed on 1 January 2020. He did not hold any shares as at the date of this report.

On behalf of the Board

**Vivian Bazalgette**

Chairman

18 March 2020

# 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](http://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

# Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2019.

## Composition of the Committee

The members of the Committee are myself as Chair and all the other Directors, except for Vivian Bazalgette. This is in line with the recommendation in the 2018 UK Corporate Governance Code that a Chairman of a Board should not be a member of the Audit Committee. He will generally be invited to attend the Committee meetings. All Committee members are considered independent non-executive Directors and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

## Role and Responsibilities of the Committee

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website at: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com). These duties include:

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls), considering the scope of the work undertaken by the Manager's internal audit department, including review of the work performed by Internal Audit, and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure that they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including review of internal controls reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depositary).

## Meetings and Business Considered by the Committee

Since the date of the last Annual Report (14 March 2019), the Committee has met three times and the Auditor attended two of these meetings.

The following matters were dealt with and reviewed at each Committee meeting:

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The Depositary's oversight report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

In addition, the following matters were also considered at these meetings:

<b>July 2019</b>	<ul style="list-style-type: none"> <li>• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board</li> <li>• The Going Concern Statement</li> <li>• The interim dividend payment to be recommended to the Board for approval</li> </ul>
<b>November 2019</b>	<ul style="list-style-type: none"> <li>• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2019</li> <li>• Internal Audit reporting, including review of the Internal Audit plan</li> <li>• Review of outsourced third party service providers control reports</li> </ul>
<b>March 2020</b>	<ul style="list-style-type: none"> <li>• The Auditor's findings from the audit of the Company</li> <li>• The Auditor's performance, independence and reappointment</li> <li>• Compliance with Corporate Governance and regulatory requirements</li> <li>• The Annual Report and Financial Statements and recommendation of its approval to the Board</li> <li>• The Viability and Going Concern Statements and recommendation to the Board of their approval</li> <li>• The final dividend payment to be recommended to the Board</li> </ul>

#### Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 39. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and on any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

#### Significant issues considered by the Committee during the year

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

<b>Recognition of Investment Income</b>	Investment Income is recognised in accordance with accounting policy Note 2(e) on page 51. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital. The Committee reviewed the Internal Audit, the AAF Internal Controls and the compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's investment income.
<b>Valuation, existence and ownership of investments (including derivative investments)</b>	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(k) and 2(l) on page 52. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the Depositary that the valuation, existence and ownership of investments had been verified.
<b>Liquidity</b>	Following problems at some investment companies and investors and regulators becoming concerned about the possible lack of liquidity in investments held, the Committee assessed and carefully considered this liquidity risk. The Company's portfolio only holds listed equities and the Committee was satisfied that these are sufficiently liquid for any foreseeable situation and that the Manager has sufficient procedures and controls in place. In addition, due to the closed-ended nature of the Company as an investment trust, the impact of liquidity shortage is lower as there is no need to manage significant redemptions.

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

# Report of the Audit Committee continued

## Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Independent Auditor for the year ended 31 December 2019. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 55.

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

- The Auditor's arrangements for managing any conflicts of interest;
- The extent of any non-audit services\*; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its professional standards.

\* *There were no non-audit services provided to the Company during the reporting year and as at the date of this report.*

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

- The fulfilment by the Auditor of the agreed audit plan, including the audit team and approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2019; and
- Feedback from the Manager on the audit of the Company.

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

## Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 12 May 2016 following a formal audit tender process in 2015. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the fourth year that the audit partner, Matthew Price, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

## Fleur Meijs

Chair of the Audit Committee  
18 March 2020

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

## Opinion

We have audited the Financial Statements of Fidelity European Values PLC for the year ended 31 December 2019, which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related Notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 15 and 16 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 15 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 29 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 17 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.</li> <li>• Incorrect valuation and/or defective title to the investment portfolio and derivatives.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall materiality of £11.41m which represents 1% of the Company's net asset value as at 31 December 2019.</li> </ul>

## Key audit matters

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

engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement</b></p> <p><i>Refer to the Report of the Audit Committee (page 41); Accounting Policies (page 51); and Note 3 of the Financial Statements (page 54).</i></p> <p>The Company has reported revenue of £34.20m (2018: £33.76m).</p> <p>The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper dividend income entitlements.</p> <p>We identified the classification of special dividends between revenue and capital to be a fraud risk due to the level of judgement involved in this classification.</p> <p>Special dividends can be included within either the capital or revenue columns of the Income Statement, depending on the commercial circumstances behind the payments.</p> <p>During the year the Company received 2 special dividends amounted to £0.10m, of which none (2018: £0.67m) were allocated to capital.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Walked through the revenue recognition process and classification of special dividends and obtained an understanding of the design and implementation of the controls;</li> <li>• Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements;</li> <li>• Tested completeness of dividend income by selecting a sample of investee companies, for which we agreed the dividend announcements to the income recorded by the Company;</li> <li>• Performed a review of the income and capital reports to identify special dividends, above our testing threshold, that have been received and accrued during the period;</li> <li>• Agreed all accrued dividends to an independent source and to post year end bank statement where paid to assess the recoverability of these amounts;</li> <li>• For all special dividends, reviewed the underlying circumstances and motives for the payments to verify the classification as revenue or capital; and</li> <li>• For a sample of dividends selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source.</li> </ul>	<p>We have no issues to communicate with respect to our procedures performed over the risk of incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incorrect valuation and/or defective title to the investment portfolio and derivatives</b></p> <p><i>Refer to the Report of the Audit Committee (page 41); Accounting Policies (page 52); and Notes 10 and 11 of the Financial Statements (pages 58 and 59).</i></p> <p>The valuation of investments and derivatives as at the year-end was £1,124.82m (2018: £939.20m) comprising £1,108.70m (2018: £938.83m) of listed investments, £16.58 (2018: £2.39m) of derivative assets and £(0.46)m (2018: £(2.02)m) of derivative liabilities.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return.</p> <p>The incorrect valuation of the investment portfolio, including incorrect application of exchange rates, and illiquidity investments could have a significant impact on the Financial Statements.</p> <p>In addition, there is a risk of misappropriation of assets and unsecured ownership of the entire investment portfolio.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Walked through the investment valuation process to obtain an understanding of the controls surrounding the process;</li> <li>• Independently verified 100% of the investments and derivatives prices in the portfolio using independent pricing sources;</li> <li>• For those investments priced in currencies other than sterling we compared the exchange rates to an independent source;</li> <li>• Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers; and</li> <li>• Performed an independent evaluation of the portfolio's liquidity through analysing the trading volume of the investments.</li> </ul>	<p>We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and/or defective title to investments and derivatives.</p>

Key audit matters remain unchanged from the prior year.

### An overview of the scope of our audit

#### Tailoring the scope

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

#### Our application of materiality

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

#### Materiality

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

We determined materiality for the Company to be £11.41m (2018: £9.55m), which is 1% (2018: 1%) of the net asset value of the Company. We have used the net asset value of the Company as the basis for setting materiality as it provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

#### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £8.55m (2018: £7.16m). We have set performance materiality at this percentage due to past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

# Independent Auditor's Report to the Members of Fidelity European Values PLC *continued*

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Income Statement of £1.55m (2018: £1.52m) being 5% (2018: 5%) of the net revenue return on ordinary activities before taxation.

## Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.57m (2018: £0.48m), which is set at 5% (2018: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

The other information comprises the information included in the Annual Report set out on page 30, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 34** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting set out on page 40** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 32** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the Financial Statements**

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how Fidelity European Values PLC is complying with those frameworks through attending meetings with the Audit Committee and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete and/or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the

reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

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

**Other matters we are required to address**

- We were appointed by the Company on 12 May 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2016 to 31 December 2019.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

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

**Matthew Price**

(Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London  
18 March 2020

**Notes:**

1. The maintenance and integrity of Fidelity International's website is the responsibility of the Directors; the work carried out by the Auditor's does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

# Income Statement

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019			Year ended 31 December 2018		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'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)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>31,225</b>	<b>195,302</b>	<b>226,527</b>	30,887	(77,121)	(46,234)
Finance costs	6	(254)	(760)	(1,014)	(448)	(1,345)	(1,793)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>30,971</b>	<b>194,542</b>	<b>225,513</b>	30,439	(78,466)	(48,027)
Taxation on return/(loss) on ordinary activities	7	(2,155)	-	(2,155)	(1,706)	-	(1,706)
<b>Net return/(loss) on ordinary activities after taxation for the year</b>		<b>28,816</b>	<b>194,542</b>	<b>223,358</b>	28,733	(78,466)	(49,733)
<b>Return/(loss) per ordinary share</b>	8	<b>7.00p</b>	<b>47.26p</b>	<b>54.26p</b>	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.

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

# Balance Sheet

as at 31 December 2019

Company number 2638812

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Investments	10	1,108,702	938,826
<b>Current assets</b>			
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
		<b>33,229</b>	19,349
<b>Creditors</b>			
Derivative instruments	11	(457)	(2,024)
Other creditors	13	(912)	(840)
		<b>(1,369)</b>	(2,864)
<b>Net current assets</b>		<b>31,860</b>	16,485
<b>Net assets</b>		<b>1,140,562</b>	955,311
<b>Capital and reserves</b>			
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
<b>Total shareholders' funds</b>		<b>1,140,562</b>	955,311
<b>Net asset value per ordinary share</b>	16	<b>277.19p</b>	231.77p

The Financial Statements on pages 48 to 68 were approved by the Board of Directors on 18 March 2020 and were signed on its behalf by:

**Vivian Bazalgette**  
Chairman

# 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.

# Notes to the Financial Statements continued

## 2 Accounting Policies continued

**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.

## 2 Accounting Policies continued

**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.

# Notes to the Financial Statements continued

## 3 Income

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
<b>Investment income</b>		
Overseas dividends	29,019	26,394
Overseas scrip dividends	795	1,685
UK dividends	2,058	2,005
	<b>31,872</b>	30,084
<b>Derivative income</b>		
Income recognised from futures contracts	567	2,591
Dividends received on long CFDs	1,658	985
Interest received on long CFDs*	45	11
	<b>2,270</b>	3,587
<b>Investment and derivative income</b>	<b>34,142</b>	33,671
<b>Other interest</b>		
Interest received on deposits and money market funds	48	92
Interest received on tax reclaims	11	-
	<b>59</b>	92
<b>Total income</b>	<b>34,201</b>	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 ("FIL"). Both companies are Fidelity group companies.

From 1 April 2018, FIL 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
Depository fees	75	77
Directors' fees <sup>1</sup>	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 <sup>2</sup>	29	25
Other expenses	23	23
	<b>857</b>	846

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 37.

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 <sup>1</sup>	27	81	108	64	193	257
Dividends paid on short CFDs	197	590	787	383	1,149	1,532
	<b>254</b>	<b>760</b>	<b>1,014</b>	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.

# Notes to the Financial Statements continued

## 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
<b>a) Analysis of the taxation charge for the year</b>						
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
<b>Net return/(loss) on ordinary activities before taxation</b>	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 <sup>1</sup>	-	(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
<b>Total taxation charge for the year (see Note 7a)</b>	2,155	-	2,155	1,706	-	1,706

<sup>1</sup> 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
<b>Return/(loss) per ordinary share</b>	<b>7.00p</b>	<b>47.26p</b>	<b>54.26p</b>	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
<b>Dividends paid</b>		
Interim dividend of 2.59 pence per Ordinary Share for the year ended 31 December 2019	<b>10,657</b>	-
Final dividend of 6.28 pence per Ordinary Share for the year ended 31 December 2018	<b>25,872</b>	-
Final dividend of 4.35 pence per Ordinary Share paid for the year ended 31 December 2017	-	18,061
	<b>36,529</b>	18,061
<b>Dividend proposed</b>		
Final dividend proposed of 3.88 pence per Ordinary Share for the year ended 31 December 2019	<b>15,965</b>	-
Final dividend of 6.28 pence per Ordinary Share for the year ended 31 December 2018	-	25,884
	<b>15,965</b>	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).

# Notes to the Financial Statements continued

## 10 Investments

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

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
<b>Gains/(losses) on investments</b>		
Gains on sales of investments	<b>46,247</b>	51,947
Investment holding gains/(losses)	<b>137,697</b>	(116,818)
	<b>183,944</b>	(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	<b>154</b>	212
Sales transaction costs	<b>62</b>	70
	<b>216</b>	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 31.12.19 £'000	Year ended 31.12.18 £'000
<b>Gains/(losses) on derivative instruments</b>		
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
	<b>17,516</b>	<b>(6,143)</b>

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

	2019 fair value £'000	2019 gross asset exposure £'000	2018 fair value £'000	2018 gross asset exposure £'000
<b>At the year end the Company held the following derivative instruments</b>				
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
	<b>16,119</b>	<b>112,898</b>	<b>367</b>	<b>113,316</b>

# Notes to the Financial Statements continued

## 12 Debtors

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

## 13 Other Creditors

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

## 14 Share Capital

	number of shares	2019 £'000	number of shares	2018 £'000
<b>Issued, allotted and fully paid</b>				
<b>Ordinary shares of 2.5 pence each held outside Treasury</b>				
<b>Beginning of the year</b>	412,172,826	10,304	415,202,177	10,380
Ordinary shares repurchased into Treasury	(706,777)	(18)	(3,029,351)	(76)
<b>End of the year</b>	<b>411,466,049</b>	<b>10,286</b>	412,172,826	10,304
<b>Ordinary shares of 2.5 pence held in Treasury*</b>				
<b>Beginning of the year</b>	4,275,084	107	1,245,733	31
Ordinary shares repurchased into Treasury	706,777	18	3,029,351	76
<b>End of the year</b>	<b>4,981,861</b>	<b>125</b>	4,275,084	107
<b>Total share capital</b>		<b>10,411</b>		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 on pages 15 to 17.

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.

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

### 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
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs - exposure less fair value	57,019	57,595
<b>Exposure to financial instruments that earn interest</b>		
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
<b>Net exposure to financial instruments that bear interest</b>	<b>31,026</b>	<b>27,913</b>

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:

currency	investments	long	debtors <sup>1</sup> £'000	cash at bank £'000	2019
	held at fair value £'000	exposure to derivative instruments £'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

## 17 Financial Instruments continued

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors <sup>1</sup> £'000	cash at bank £'000	2018
					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

<sup>1</sup> 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:

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

currency	short exposure to derivative instruments £'000	other creditors £'000	2018
			total £'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.

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

### 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.

## 17 Financial Instruments continued

### 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:

currency	2019 £'000	2018 £'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)	-
	<b>(102,283)</b>	<b>(88,203)</b>

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

currency	2019 £'000	2018 £'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	-
	<b>125,014</b>	<b>107,803</b>

### 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.

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

### Fair Value Hierarchy

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The 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:

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

	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	938,826	-	-	938,826
Derivative instrument assets	-	2,391	-	2,391
	938,826	2,391	-	941,217
<b>Financial liabilities at fair value through profit or loss</b>				
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 on page 50, and any gearing, which is managed by the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 13. The principal risks and their management are disclosed in the Strategic Report on pages 15 to 17 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	% <sup>1</sup>	£'000	% <sup>1</sup>
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
<b>Total long exposures</b>	<b>1,207,627</b>	<b>105.9</b>	<b>1,207,627</b>	<b>105.9</b>
Short CFDs	13,973	1.2	(13,973)	(1.2)
<b>Gross/net asset exposure</b>	<b>1,221,600</b>	<b>107.1</b>	<b>1,193,654</b>	<b>104.7</b>
<b>Shareholders' funds</b>	<b>1,140,562</b>		<b>1,140,562</b>	
<b>Gearing<sup>2</sup></b>		<b>7.1</b>		<b>4.7</b>

	2018			
	gross asset exposure		net asset exposure	
	£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
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 <sup>2</sup>		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.

# Notes to the Financial Statements continued

## 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 ("FIL"). Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report on page 29, 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. FIL 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 on pages 37 and 38. 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 on page 3, the Portfolio Manager's Review on page 10 and in the Principal Risks section on pages 15 and 16.

# Alternative Performance Measures

## Total return

Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms on page 78). 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.

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

	Net asset value per ordinary share	Share price
<b>2018</b>		
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)	<b>8,476</b>	8,120
Other expenses (£'000)	<b>857</b>	846
Ongoing charges (£'000)	<b>9,333</b>	8,966
Average net assets (£'000)	<b>1,076,838</b>	1,021,359
Ongoing charges ratio	<b>0.87%</b>	0.88%

## Gearing

Gearing is considered to be an alternative performance measure. See Note 18 on page 67 for details of the Company's gearing.

# Notice of Meeting

**Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at Flat 2, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ on Tuesday, 12 May 2020 at 12 noon for the following purposes:**

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2019.
2. To declare that a final dividend for the year ended 31 December 2019 of 3.88 pence per ordinary share be paid to shareholders on the register as at close of business on 27 March 2020.
3. To re-elect Mr Vivian Bazalgette as a Director.
4. To re-elect Ms Fleur Meijs as a Director.
5. To elect Sir Ivan Rogers as a Director.
6. To re-elect Ms Marion Sears as a Director.
7. To re-elect Mr Paul Yates as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 36) for the year ended 31 December 2019.
9. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 36.
10. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
11. To authorise the Directors to determine the Auditor's remuneration.
12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 18 March 2020) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.
13. THAT, subject to the passing of Resolution 12, set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
  - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 18 March 2020); and
  - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share,

To consider and, if thought fit, to pass the following special business resolutions of which Resolution 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions.

## Authority to Allot Shares and Disapply Pre-emption Rights

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company (including Treasury shares) in issue on 18 March 2020. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would be re-issued at net asset value ("NAV") per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

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

## Authority to Repurchase Shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 18 March 2020, either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once

shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 2.5 pence each (the "shares") in the capital of the Company provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 61,678,760;
  - b) the minimum price which may be paid for an ordinary share is 2.5 pence;
  - c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
    - (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and
    - (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
  - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
  - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board

**FIL Investments International**

Secretary

18 March 2020

#### Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than noon on Thursday 7 May 2020. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, Link Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on Thursday, 7 May 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 12 noon on Thursday, 7 May 2020.

# Notice of Meeting continued

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Thursday, 7 May 2020.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 on the previous page does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Thursday, 7 May 2020. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by the close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
10. As at 18 March 2020 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 416,447,910 ordinary shares. The number of shares held in Treasury by the Company was 4,981,861. Therefore, the total number of shares with voting rights in the Company as at 18 March 2020 was 411,466,049.
11. Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. No Director has a service contract with the Company.
15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at **[www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)**.

Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

# Financial Calendar

## The key dates in the Company's calendar are:

31 December 2019 - Financial Year End
March 2020 - Announcement of the annual results for the year to 31 December 2019
March 2020 - Publication of this Report
26 March 2020 - Ex-dividend date
27 March 2020 - Dividend Record date
12 May 2020 - Annual General Meeting
15 May 2020 - Payment of the Final Dividend
30 June 2020 - Half-Year End
July/August 2020 - Announcement of the Half-Yearly results for the six months to 30 June 2020
August 2020 - Publication of the Half-Yearly Report
November 2020 - Payment of Interim Dividend

# Shareholder Information

## Investing in Fidelity European Values PLC

Fidelity European Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest and the latest Key Information Document can be found on Fidelity's website at: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

## CONTACT INFORMATION

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

## Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk).

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

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

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

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

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

## Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at [www.linksharedeal.com](http://www.linksharedeal.com), or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 – 16:30,

Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

## Dividend Reinvestment Plan

Link Asset Services offer a Dividend Re-investment Plan which is a convenient way for shareholders to build up their shareholding by using the dividend money to purchase additional shares in the Company. The plan is provided by Link Asset Services, a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack, call **0371 664 0381** between 9:00 – 17:30 Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk) or log on to: [www.signalshares.com](http://www.signalshares.com).

## Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

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

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

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

## General enquiries

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

Telephone: **01737 837320**.

Email: [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com).

Website: [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

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

## ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at [www.sharegift.org](http://www.sharegift.org) or by telephoning **020 7930 3737**.

## Managers and Advisors

### Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited  
Oakhill House  
130 Tonbridge Road  
Hildenborough  
Tonbridge  
Kent  
TN11 9DZ

### Portfolio Manager, Secretary and Registered Office

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

### Banker and Custodian

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

### Depository

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

### Financial Adviser and Stockbroker

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

### Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### Lawyer

Charles Russell Speechlys LLP  
5 Fleet Place  
London  
EC4M 7RD

### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Company Information

The Company was launched on 5 November 1991 with one warrant attached to every five shares. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of the ordinary shares on a ten for one basis on 2 June 2014, the Company's share capital now comprises ordinary shares of 2.5 pence each and the restated original subscription price is 10 pence for each ordinary share.

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

### Price Information

The share price of Fidelity European Values PLC is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** (freephone) or FT Cityline on **0905 817 1690** (voice activated service - calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEV.L, the SEDOL is BK1PKQ9 and the ISIN is GB00BK1PKQ95.

### Net Asset Value ("NAV") Information

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

### Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,000 of capital gains in the current tax year 2019/2020 (2018/2019: £11,700) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

# Shareholder Information continued

## General Data Protection Regulation (“GDPR”)

### What personal data is collected and how it is used

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

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

### Sharing personal data

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

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

### How long will personal data be kept for?

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

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

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

# Glossary of Terms

## AAF Report

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

## AIF

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

## AIFM

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

## AIFMD

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

## Alternative Performance Measures

The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

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

## Benchmark Index

FTSE World Europe (ex UK) Index against which the performance of the Company is measured.

## Capital Gains Tax (CGT)

The tax that may be payable if shares are sold at a profit.

## Collateral

Asset provided as security for the unrealised gain or loss under a contract for difference.

## Contract For Difference (CFD)

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

## Corporation Tax

The tax the Company may have to pay on its profits for a year. Investment trusts are exempt from corporation tax on their capital gains and do not pay tax on any UK dividends. As they can offset expenses against any taxable income, most investment trusts do

not pay corporation tax and are therefore tax efficient for the Company.

## Custodian

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

## Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited acts as the Company's Depository.

## Derivatives

Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

## Discount

If the share price of the Company is lower than the net asset value per share, the Company is said to be trading at a discount. The discount is shown as a percentage of the net asset value per ordinary share.

## Fair Value

The fair value is the best estimate of the value of the investments, including derivatives, at a point in time and this is measured as:

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

## Futures

An agreement to buy or sell a fixed amount of an asset at a fixed future date and a fixed price.

## Gearing

Gearing is the amount of exposure the Company uses to invest in the market. The Company uses two key measures of gearing:

- **Gross gearing** which is the amount by which Gross Asset Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds.
- **Net gearing** which is the amount by which Net Asset Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds.

# Glossary of Terms continued

## Gross Asset Exposure

A measure of the Company's total equity exposure. It is calculated as the sum of all long exposures, plus short exposures and less exposures [hedging](#) the portfolio.

## Hedging

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving taking a position in a [derivative](#) such as a [future](#) or an [option](#).

## Investment Manager

FIL Investments International acts as the Company's [Investment Manager](#) under delegation from FIL Investment Services (UK) Limited (the [AIFM](#)).

## Manager

FIL Investments Services (UK) Limited, was appointed as the [Manager](#) in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), and has delegated, inter alia, the investment management of the Company to the [Investment Manager](#).

## Net Asset Exposure

A measure of the Company's net equity exposure. It is calculated as the sum of all long exposures, less short exposures and less exposures [hedging](#) the portfolio.

## Net Asset Value (NAV)

[Net asset value](#) is sometimes also described as "shareholders' funds" and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the [net asset value](#) on a per share basis.

## Ongoing Charges

Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily [net asset values](#) for the reporting year.

## Options

An [option](#) is a contract which gives the right but not the obligation to buy or sell an underlying asset at a specific price on or before an agreed date. [Options](#) may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis, for example, the purchase of a call [option](#) provides exposure to the upside potential of an underlying stock, with the downside risk being limited to the premium paid.

## Portfolio Manager

Sam Morse is the appointed [Portfolio Manager](#) of the Company and is responsible for managing the Company's assets.

## Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held, to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply [pre-emption right](#) provisions, up to 5% of the issued share capital of the Company.

## Premium

If the share price of the Company is higher than the [net asset value](#) per share, the Company is said to be trading at a [premium](#). The [premium](#) is shown as a percentage of the [net asset value](#) per ordinary share.

## Registrar

An entity that manages the Company's shareholder register. The Company's [Registrar](#) is Link Asset Services.

## Return/(loss)

The [return/\(loss\)](#) generated in a given period from the investments:

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

## Shareholders' Funds

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

## Total Return Performance

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

## Treasury Shares

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

# Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Manager's Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 29.

The table below and on the next page discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Investment management</b>	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	<p>Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 13 and 14.</p>
<b>Risk management</b>	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independent safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 15 to 17 and in Note 17 to the Financial Statements on pages 61 to 66.</p>
<b>Valuation of illiquid assets</b>	<p>The Directive requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.</p>	<p>Not Applicable.</p>

# Alternative Investment Fund Manager's Disclosure

continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Leverage</b>	<p>The Company uses leverage to increase its exposure primarily to the stockmarkets of continental Europe and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 December 2019, actual leverage was 1.08 for the Gross Method and 1.07 for the Commitment Method.</p>
<b>Liquidity management</b>	<p>The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.</p>	<p>No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 64.</p>
<b>Remuneration of the AIFM</b>	<p>The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).</p>	<p>Details of Fidelity International's Global Remuneration Policy can be found at <a href="http://www.fidelityinternational.com/global/remuneration/default.page">www.fidelityinternational.com/global/remuneration/default.page</a></p>

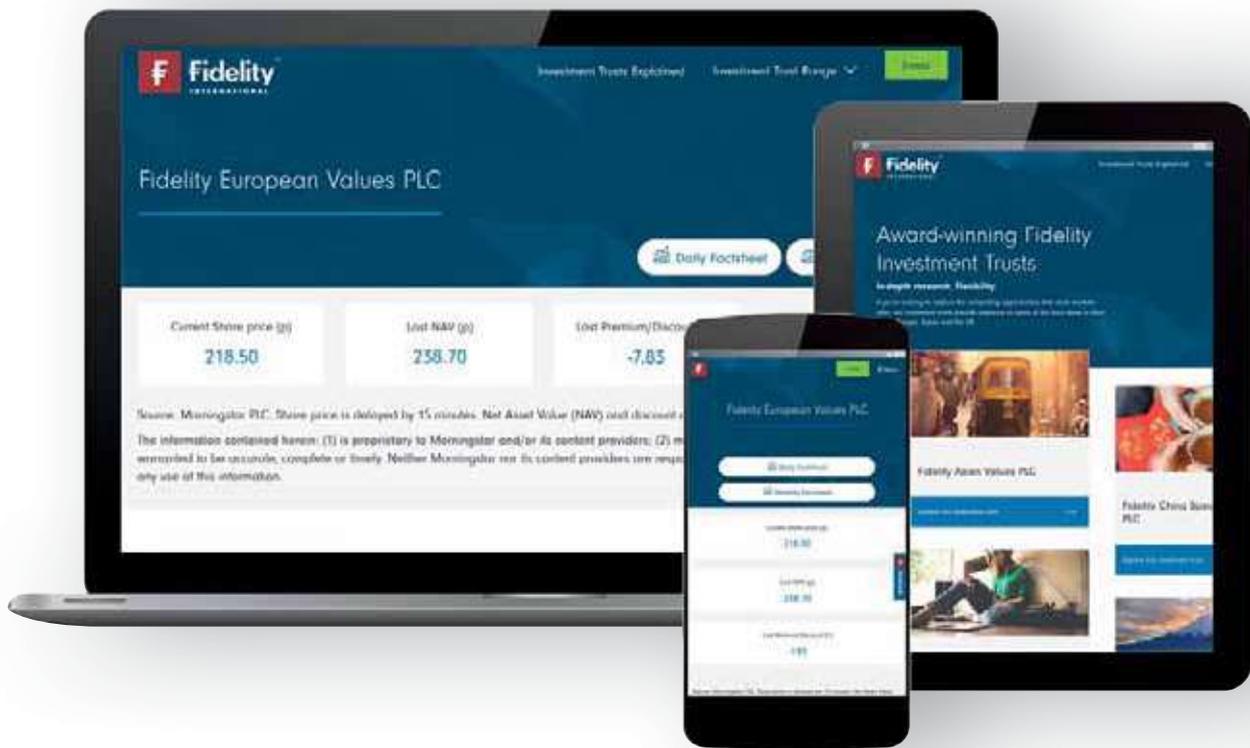
## EU Securities Financing Transactions Regulation ("SFTR")

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

As at 31 December 2019, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
Goldman Sachs International (UK)	6,736	0.59%	6,930	–
HSBC Bank plc (UK)	9,520	0.83%	9,730	–

Collateral granted was denominated in UK sterling and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2019 from CFDs was a gain of £13,607,000.



To find out more about Fidelity European Values Plc, visit our new website [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com) where you can read articles and watch videos on the Company.



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