

FIDELITY ASIAN VALUES PLC

Annual Report for the year ended 31 July 2020

CHAIRMAN'S STATEMENT

Kate Bolsover – I have pleasure in presenting the Annual Report of Fidelity Asian Values PLC (the “Company”) for the year ended 31 July 2020.

By any standard the year under review has been an extraordinary one, with countries around the world experiencing unprecedented challenges in the wake of the Coronavirus (“COVID-19”) pandemic. Our thoughts are with all those who have been affected.

Against a challenging market backdrop, our Portfolio Manager, Nitin Bajaj, ranks first among his small cap peers on a five-year view, however recent performance has, unfortunately, been weaker. From an investment perspective, while ‘in-person’ company meetings have been paused for now, Nitin undertakes virtual meetings with existing and potential investee companies which are proving to be effective.

The Manager is keeping its business continuity plans and operational resilience strategies under constant review and is taking the necessary steps to meet its regulatory obligations and to support its investors. The Company’s other third party service providers have also implemented similar measures to ensure business disruption is kept to a minimum.

In seeking to provide shareholders with a differentiated equity exposure to Asian markets, Nitin focuses on buying businesses that have strong management but are mispriced. This often leads him to invest in small and medium sized companies, the ‘winners of tomorrow’, before they become well-known. Unfortunately, this segment of the market has been disproportionately impacted by the prevailing environment and this has weighed on shorter-term performance. As Nitin explains in his Portfolio Manager’s Review, the value-investing style he deploys, and which has historically rewarded investors, is currently out of favour, generating excellent longer-term opportunities while demanding patience nearer-term.

INVESTMENT AND MARKET REVIEW

In the 12 months to 31 July 2020, NAV performance was -16.7% compared to a return of +2.7% for the Comparative Index*. Share price performance over the same period was a disappointing -24.8%, reflecting the fact that the Company has moved from trading at a premium to its NAV to a discount in more recent times. In addition to the significant impact of COVID-19 on Asian equity markets, Nitin also faces dual headwinds in his stylistic bias for value and also for smaller and medium sized businesses.

Value, as an investment style, is experiencing the longest and deepest underperformance relative to growth since the 1960s. Value stocks considered across a range of valuation metrics, including price-to-book and price-to-earnings multiples, have not traded so cheaply since 1968. The stocks of smaller and medium sized companies meanwhile have been severely punished, certainly by historical standards, in a market environment dominated by mega-cap names. The Board believes that value investing will return to favour and that this is a period of unprecedented opportunity to invest in good companies at competitive prices.

* The Company’s Comparative Index changed from the MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms) to the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) on 1 February 2020. Therefore, the Comparative Index reported is a blend of the two.

RESPONSE AND OUTLOOK

In response to this difficult environment and with the Company trading at its widest discount in over a decade, the Board initiated a buyback programme in March of this year. The Company has bought back 1,648,782 shares over the period under review (further details below). At the end of the financial year, the Company traded at a discount to NAV of 8.1%. The Board has also carefully monitored service providers throughout the pandemic, ensuring operational robustness.

In this year, perhaps more than most, predicting the future is difficult. The road ahead may be strewn with challenges, but we remain encouraged by the extreme valuation differential between “growth” and “value” companies and the opportunities inherent in that. As we begin the new financial year, valuations are even more extreme in Asia than they were in the run up to the dot com bubble, when growth stocks sold at extraordinary multiples. While we continue to monitor performance carefully, Nitin continues to have our full support in navigating the months and years ahead. We are reassured by the high quality of his portfolio and thank shareholders for their ongoing support.

OTHER MATTERS

Gearing

Increased volatility and risk aversion in the market has created stock picking opportunities and Nitin has been able to add new holdings and increase existing positions at more attractive valuations. Over his tenure, Nitin has not felt the need to use gearing extensively and has reduced gearing slightly from the level reported last year. He continues to believe that the main driver of the Company’s performance will be stock picking.

Management Fee

The Company has had a variable management fee structure in place since 1 August 2018. It uses a Comparative Index against which the variable element of the management fee is calculated. The change to the Comparative Index from the MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms) to the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) from 1 February 2020 has had no impact on any fees accrued until the date of the change. Since then, any over or under performance has been measured against the new Comparative Index.

The fee to 31 July 2020 was £1,655,000 (2019: £2,262,000). Given the relative underperformance, the variable management fee represented 0.59% of net assets throughout the period (2019: 0.78%).

Discount/Premium and Share Repurchases/Issues

As reported in the Company’s Half-Yearly Report, up until 31 January 2020 the Company’s shares had mostly traded at a premium and the Board authorised the issue of 265,981 ordinary shares from the Company’s block listing facility. Issuing shares increases the size of the Company, making it more liquid and allowing for costs to be spread out over a larger asset base. Since then and as at the date of this report, no additional ordinary shares have been issued.

Repurchases of ordinary shares are made at the discretion of the Board and within guidelines set by it and in light of prevailing market conditions. Shares will only be repurchased when it results in an enhancement to the NAV of the ordinary shares. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. Any shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share.

As I have highlighted above, we have seen an extraordinary level of turmoil in the world’s financial markets and the Company’s premium/discount has been commensurately volatile. The Board initiated a buyback program in March whereby 1,648,782 ordinary shares have been repurchased for holding in Treasury (representing 2.18% of the issued share capital). 422,255 shares have been repurchased since the end of the reporting period and as at the date of this report.

Dividend

Subject to shareholders’ approval at the Annual General Meeting (“AGM”) on 8 December 2020, the Directors recommend a dividend of 8.50 pence per ordinary share which represents a decrease of 3.4% over the 8.80 pence paid in 2019. This dividend will be payable on 10

December 2020 to shareholders on the register at close of business on 23 October 2020 (ex-dividend date 22 October 2020). Shareholders should be reminded that as the Company's objective is long-term capital growth, the level of dividend is a function of a particular year's income and it should not be assumed that dividends will continue to be paid in the future.

BOARD OF DIRECTORS

As reported in the Company's Half-Yearly Report, Philip Smiley retired from the Board on 30 April 2020. His extensive experience in Asia and unique insights about the region were much appreciated by the Board and I would like to take this opportunity to thank him for his terrific contribution.

Timothy Scholefield succeeded Philip as Senior Independent Director on 1 May 2020.

All Directors are subject to annual re-election at the forthcoming AGM. The Directors' biographies are included in the Annual Report, and between them, they have a wide range of appropriate skills and experience to form a balanced Board of the Company.

BOARD SUCCESSION

The Board has spent a considerable amount of time discussing its succession plan for the next four years and wishes to share these with investors. Grahame Stott will have completed his nine-year tenure in 2022 and will step down from the Board at the AGM in 2022 and he will be replaced as Audit Committee Chairman by Clare Brady. By the AGM in 2023, I will have served four years as a Director and a further nine years as Chairman and will step down from the Board at the AGM in 2023. The Board considers that I continue to be independent.

ANNUAL GENERAL MEETING – TUESDAY, 8 DECEMBER 2020 AT 11.00 AM

In response to the wide spread of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited.

With this in mind, this year's AGM will be virtual in nature. In accordance with the Corporate Governance and Insolvency Act 2020 and with the Company's Articles of Association, the AGM will be conducted in closed session via video conference. This meeting will be restricted to the formal business of the meeting as set out in the Annual Report and voting on the resolutions therein. An online presentation by the Chairman and Portfolio Manager which will be available online at www.fidelity.co.uk/asianvalues.

Copies of the Portfolio Manager's presentation can be requested by email at investmenttrusts@fil.com or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP.

It is not the Board's intention to exclude or discount the views of the Company's shareholders, but at the moment, the health of all investors, workforce and officers must be paramount. We urge all shareholders to make use of the proxy form provided. If you hold shares through the Fidelity Platform or a nominee (and not directly in your own name) proxy forms are not provided and you are advised to contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We encourage all investors who have any questions or comments to contact the Secretary so that she can relay your comments to the Board, and we will respond in due course.

We thank you for your cooperation and sincerely hope to resume the meeting's usual format in the future.

KATE BOLSOVER

Chairman

13 October 2020

PORTFOLIO MANAGER'S REVIEW

Nitin Bajaj was appointed as the Portfolio Manager of Fidelity Asian Values PLC on 1 April 2015. He is based in Singapore and has over 19 years' investment experience. He is also the Portfolio Manager for the Fidelity Asian Smaller Companies Fund. He first joined Fidelity in 2003 as an Investment Analyst and then took over the Fidelity India Special Situations Fund and subsequently started the Fidelity India Value Fund. He managed these funds until November 2012, when Fidelity decided to sell its India business.

QUESTION

How has the Company performed in the year under review?

ANSWER

It has been a difficult year and the Company's NAV declined 16.7% over the period, compared to an annualised return of 14.1% up to the prior year during my tenure as Portfolio Manager of the Company. As always, responsibility for performance sits solely with me in both good and bad years.

In order to get a better perspective on performance, I think it's also important to understand what happened over the last year and the market environment we are operating in.

STOCK PICKING

There are two kinds of errors that an investor can make: errors of omission and errors of commission. Errors of omission are stocks that we don't own that go up. Errors of commission are stocks we own that go down.

Errors of omission are inevitable. There will always be stocks that we do not own that go up a lot. This year these were concentrated in technology and health care – but more generally, in categories of stocks which can be broadly labelled as 'momentum'. These are stocks which we are very unlikely to own as they are expensive, with high expectations and very little margin of error. When they are appreciating, no one questions them.

Unfortunately, we also made a few errors of commission this year – most notably, our investment in mortgage companies in India. The country has been in a housing downcycle for almost eight years resulting in significantly improved housing affordability (house prices compared to household income) – its best level in the last 25 years. Our analysis showed that we should be on the cusp of a turn in the cycle for the better. In a weak economy the recovery was delayed, and it got worse due to COVID-19, which led to unprecedented economic hardship and liquidity stress on households, property developers and the financial system. I feel our analysis was sound and the risk-reward was in our favour when we made the investment – but our bet size was not. At 6% of the Company's NAV, it was too big a position.

Position sizing is tricky – when you get it right, you always feel you should have had more, and when you get it wrong, it's the opposite.

In addition, there have been a few other stock specific detractors like Cebu Air. Cebu Air is a low-cost airline with 55% market share in the Philippines. It has an almost insurmountable lead on its competition in terms of its cost structure. The management team is best in class and it has a well-funded balance sheet. The business has been hit hard by COVID-19, and like most airlines, its stock price has declined. I continue to own my position in Cebu Air as they should be able to get through this period given the balance sheet strength and emerge in a stronger competitive position.

In terms of positive stock contribution, our investment in e-bike battery company Tianneng Power International performed exceptionally well as the stock was discovered by mainstream investors. Also, our investment in rubber glove company Riverstone has performed well during COVID-19 due to the huge demand for medical grade gloves. I continue to own shares in both these businesses.

Our objective is to not lose money when we are wrong, so that our correct decisions can add up. It did not happen this year. In fact, this was the first year since I have managed Asian portfolios that I have had negative contribution from stock selection. This was partly due to: 1) stock picking; and 2) due to the number of business we own being currently unloved in the stock market. This meant that our bucket of positive contributors was smaller.

COUNTRY ALLOCATION

Country allocation for us is an outcome of stock selection rather than a top down view. Going into COVID-19 we had a significant portion of our assets invested in India, Indonesia and Philippines (38.7% at the end of February 2020; and 30% at the end of July 2020 as we adjusted some of our positions). We have historically found exceptional businesses, with significant growth opportunities at attractive valuations in these countries.

However, all three are densely populated countries and have had to impose stringent lockdowns. This was essential and does not change the long-term dynamics of these economies. However, it has led to a significant stock market sell off in these three countries - more than the rest of Asia. Some of this stock market correction is justified but I would argue that quite a few stocks in these countries have been sold off irrespective of fundamentals.

An example would be Power Grid Corporation of India, our 2nd largest holding. Power Grid is a high-quality regulated monopoly for electricity transmission in India and has an enviable track record of growth, stability and return on equity. Irrespective of the strong fundamentals, the stock has been sold off due to COVID-19 and now looks very compelling from a valuation perspective.

I have adjusted the Company's portfolio in these countries to concentrate our focus on businesses which can endure this economic hardship even if it lasts another two years. COVID-19 will pass, but these businesses will still be around, and having enhanced their competitive position through this period, emerge stronger.

STYLE BIAS

Value investing is what I do and investing in interesting but unloved companies has been the key driver of returns in every portfolio I have managed over the last decade. However, my value bias was a significant headwind to performance last year as there was a sentiment swing in favour of growth companies – both large and small. On a relative basis, this hit the Company twice – as stocks I did not own went up, while the ones I did own fell. A number of stocks in the portfolio, despite being attractively valued and delivering good operating performance, have not appreciated, as a narrow group of stocks (in a few specific sectors) have carried the stock markets in Asia.

Smaller value companies are now trading at a 55% discount to growth companies. This compares to a 65% discount seen during the peak of the tech bubble in 1999-2000 (peak of the previous growth cycle). Similarly, if you compare the lowest quintile of stocks in Asia to the most expensive quintile of stocks, the valuation discount is even more extreme and stands at 90%.

VALUE DISPERSION OVER THE PAST 20 YEARS

Source: Fidelity International, Bloomberg, 31 July 2020. Index: MSCI All Countries Asia ex Japan Small Cap (net) Index. Active weight denotes differences in fund weighting versus Index weighting. Past performance is not an indicator of future returns.

LOWER PRICE TO EARNINGS RATIO VERSUS INDICES

HIGHER RETURNS ON EQUITY VERSUS INDICES

Source: Fidelity International, FactSet, 31 July 2020. Indices: MSCI AC Asia ex Japan Small-Cap Index and MSCI AC Asia ex Japan Small-Cap Value Index. Price to Earnings (P/E) Ratio is a measure for valuing a company's share price versus its earnings. Price to Earnings based on FY1 estimates. Low P/E can indicate that a company may currently be undervalued. Price to Book (P/B) Ratio is a measure for valuing a company's share price versus its book value. Low P/B can indicate that a company may currently be undervalued.

The most interesting fact for me is that over time “value” companies in Asia normally grow earnings faster than “growth” companies. Not only do these stocks provide you with a better starting margin of safety but these businesses are also able to grow earnings faster.

Hence, it's not surprising that over the long-term it has paid to be invested in small cap value stocks. They have outperformed growth companies by a significant margin over the last 20 years.

There is no doubt that currently our style is at the wrong end of the pendulum swing. But I feel that these extreme valuations offer a unique opportunity, not too different from 1999-2000, to invest in these overlooked businesses.

Our investment philosophy is based on owning good businesses, run by competent management teams and buying them at a price that leaves a sufficient margin of safety. Unloved smaller companies with high-quality underlying business have always been a lucrative hunting ground for this philosophy. While the portfolio has strong reflections of the small cap value index and is currently trading at a 32% discount to the broader small cap index (the valuation discount is much bigger versus large cap and growth indices), its return on equity versus the indices is substantially higher.

To conclude, style biases are cyclical – an investment process should not be.

QUESTION

Historically value stocks have tended to perform better than average in market dips, but that doesn't seem to have been the case this time round. Why? What might trigger a reversal in fortunes for value investors?

ANSWER

There are two reasons in my opinion.

Firstly, fundamentally 'growth' companies have delivered reasonably good operating results during the economic downturn as a lot of them are in the technology and health care sectors. These businesses benefited during lockdown due to an accelerated shift towards online services as well as the trend towards “working from home”, which has led to an increase in demand for computers and peripherals.

Secondly, the valuations of these businesses have expanded even further. We are seeing extreme valuations which approximate to what we witnessed during the tech bubble in 1999-2000. In my opinion, this multiple expansion is not supported by facts, as on average, there is a big difference in perception of growth and actual earnings delivery.

Growth has significantly outperformed value as a style in almost all markets. We are looking at a value drawdown which is the most extreme in 200 years. Even though data going this far back is bound to have some errors, it is indicative of where we stand versus history. These cycles have always levelled out over time. It would take a brave man to say that “this time it’s different”.

QUESTION

Small caps have lagged large caps quite markedly for some time. What are the drivers behind that? What might be the catalyst(s) for small cap outperformance?

ANSWER

This has been primarily driven by huge appreciation in large cap growth stocks. If you look at the earnings of small cap value stocks over time, they have easily outperformed large cap stocks. Even in the last five years, the earnings of small cap value stocks have outperformed the large growth companies despite COVID-19.

So fundamentally, I find it hard to justify, based on earnings or cash flows, why small cap value stocks in Asia (or small caps in general) have lagged materially in the last three years (and particularly in the last 12 months). It basically comes down to the price earnings ratio expansion of large growth companies.

As a fundamental investor, the primary anchor for valuing any business must be earnings and cash flows. This has always been the case and I do not think it is different now. I have no doubt, therefore, that this situation will reverse. The catalyst for and timing of that change is, however, difficult to forecast.

In the meantime, current market factors are giving us an opportunity to own high quality companies at attractive prices. This does not happen often and hence it’s important to maintain our discipline and take advantage.

I do understand that being patient is not easy, especially when some of the growth stocks seem to go up every day. I empathise with our investors (I am one of them and have a substantial personal investment in the Company) as it has not been easy. But making money in the markets is not easy. If it was, everyone would be rich.

QUESTION

How has COVID-19 impacted your companies – both operationally and from an earnings perspective?

ANSWER

None of the businesses in the Company’s portfolio have ever experienced anything like COVID-19.

It is a shock that impacts the internal systems of businesses, demand for their products, government policy and social structure. I think everyone is still learning how to deal with it.

So far, most companies seemed to have managed internal operations quite well and productive capacities are starting to normalise, except for a few industries such as travel and hospitality. Businesses are now trying to figure out the “new normal” in demand, especially once the government support stops. We will have to wait and see.

The impact of COVID-19 on earnings has been mixed. Like I said, companies operating in technology, health care, consumer staples, infrastructure and utilities have not really been impacted materially, while those in discretionary consumption, travel and hospitality have seen an adverse impact.

QUESTION

How have valuations changed in the period under review?

ANSWER

The last six months have been unprecedented. We went from a financial crisis to euphoria in a period of three months. What I see today is a two-speed market where we can find stocks at both valuation extremes.

I am excited by our holdings today. We own a portfolio of businesses which are dominant in their industries, earn good returns on capital and are available at attractive valuations.

QUESTION

There is a greater focus than ever on ESG matters. How does Fidelity think about ESG?

ANSWER

Fidelity believes that businesses which flout laws or do not respect their employees, customers or communities will not be able to sustain high returns over time. It is simply not a sustainable way to do business. Fidelity is encouraged that the investment community in general is paying more attention to these issues.

Adherence by corporates to the principles of sustainability will have a growing impact on the demand for those companies’ goods and services. Monitoring the actions of the corporates and engaging with them to improve, is a core pillar of Fidelity’s strategy and embedded into the research methodology which we use to assess companies.

QUESTION

As we move through the early stage of a new decade, what should investors be focusing on in the months and years ahead? Which stocks look the most promising to you?

ANSWER

I think fundamental analysis and owning good businesses, run by competent managements at attractive prices will continue to be important. If you can combine businesses which can grow revenues through time while earning high returns on capital with attractive purchase prices, then it should go a long way towards helping investors attain their financial objectives.

This is what I am focused on and I and the Fidelity analyst team are working harder than ever to find these businesses and then test every assumption we are making about the business fundamentals going forward. A sound investment process, hard work, discipline and patience have always been important for investing success. I don't think this will change in this decade.

NITIN BAJAJ
Portfolio Manager
13 October 2020

STRATEGIC REPORT

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. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the "Manager"), has developed a risk matrix which identifies the key risks that the Company faces and assigns a rating to each risk. This is reviewed by the Audit Committee at least once annually. The Board has also established associated policies and processes designed to manage and where possible, mitigate those risks which are monitored 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.

EMERGING RISKS AND UNCERTAINTIES

The Board held a strategy meeting on 29 January 2020. Among wider strategic matters discussed at this meeting, an exercise was carried out to identify any new emerging risks and take any action necessary to mitigate their potential impact. The Board identified the pandemic risk as having a material effect on the Company and took the decision to include this with its principal risks.

The Board considers the risks listed below to be the principal risks and uncertainties faced by the Company. The wording of these risks has been revised but they remain unchanged at a high level from those reported in the prior year, apart from the addition of the "Pandemic Risk".

Principal Risks	Description and Risk Mitigation
Market, Economic and Political risk	<p>The Company's portfolio is made up mainly of listed securities. The principal risks are, therefore, market related such as market downturn, interest rate movements and exchange rate movements. Political change or protectionism can also have an impact on the Company's assets, such as a US-led trade war, North Korean conflict, political tensions in the Eurozone and Brexit risks. The Portfolio Manager's success or failure to protect and increase the Company's value against this background is core to the Company's continued success.</p> <p>The risk of the likely effects of COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review. These risks are somewhat lessened 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 together with summaries of the policies for managing these risks.</p>
Investment Performance risk	<p>The Portfolio Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors. In order to manage this risk, the Board reviews Fidelity's compliance with agreed investment restrictions; investment performance and risk; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. The Board also regularly canvasses major shareholders for their views with respect to company matters.</p>
Key Person risk	<p>The Portfolio Manager has a differentiated style in relation to his peers. This style is intrinsically linked with the Company's investment philosophy and strategy and, therefore, the Company has a key person dependency on Nitin Bajaj. Fidelity has succession plans in place for its portfolio managers which have been discussed with the Board and provide some assurance in this regard.</p>
Discount Control risk	<p>The price of the Company's shares and its premium or discount to NAV are factors which are not within the Company's total control. The Board has a discount management policy in place and some short-term influence over the discount may be exercised by the use of share repurchases at acceptable prices 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 on a regular basis.</p>
Gearing risk	<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 while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be high or that the term of the gearing 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 currently 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>
Derivatives risk	<p>Derivative instruments are used to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further details on derivative instruments risk is included in Note 17 to the Financial Statements.</p>
Currency risk	<p>The base currency of the Company is Sterling. Most of its assets and its income are denominated in other currencies. Consequently, it is subject to currency risk on exchange rate movements between Sterling and these other currencies. The Company has no formal policy for hedging currency risk but may use foreign currency contracts to limit exposure.</p> <p>Further details can be found in Note 17 to the Financial Statements.</p>
Cybercrime risk	<p>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 and the Board is updated on these as part of the reporting it receives from the Manager.</p> <p>Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and DDoS (Distributed Denial of Service) attacks. The Manager has a dedicated detect and respond resource specifically to monitor the cyber threats associated with COVID-19.</p>
Pandemic risk	<p>As the COVID-19 outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager has also imposed self-isolation arrangements on staff in line with Government recommendations and guidance.</p> <p>Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed by working from home or split team arrangements.</p> <p>The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.</p>

Other risks facing the Company include:

TAX AND REGULATORY RISKS

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

OPERATIONAL RISKS

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns investigated.

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 in the Pandemic Risk. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement below.

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 above. 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 and emerging risks and uncertainties facing the Company and their potential impact;
- The future demand for the Company's shares;
- The Company's share price relative 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 over the five year reporting period to 31 July 2020, was a NAV total return of 47.0%, a share price total return of 51.9% and a Comparative Index return of 67.5%. The Board regularly reviews the investment policy and considers it to be 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 Manager's compliance with the Company's investment objective, its investment strategy and asset allocation;
- The fact that the portfolio comprises sufficient readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets.

In addition, the Company is subject to a continuation vote at the AGM in 2021 and the Board expect that the vote, when due, will be approved.

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 fostering relationships with the Company's stakeholders and maintaining a reputation for high standards of business conduct. The Company has no employees, premises, assets or operations. The shareholders in the Company are its key stakeholders and while the Board holds the Manager to account in managing the Company's assets, it recognises that this is also a key relationship. The Directors recognise that carrying out their statutory duty is fundamental to achieving longer-term success, and to this effect continue to work closely with the Manager to further develop the Company's investment strategy and underlying policies. The intention is not simply to achieve the Company's investment objective but to ensure that it is done in an effective and responsible way in the interests of shareholders, future investors and society at large.

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

The Board is mindful that investors expect their assets to be managed for a competitive fee. The Board negotiated a variable management fee with Fidelity in 2018. The Board believes that this fee arrangement fairly rewards the Manager for any outperformance against the Comparative Index while remaining competitive against fees charged by the Company's peer group. The Board, therefore, believes that this fee also benefits shareholders. Fees for the reporting year were £1,655,000 (2019: £2,262,000). Further information about the variable fee arrangement can be found in the Directors' Report.

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. Since COVID-19, most of these meetings have been virtual in nature. In the run-up to the final subscription share exercise in November 2019, the Chairman, through the Broker, proactively offered to meet with major shareholders without representatives from Fidelity present to discuss any concerns investors may have had. However, no concerns were raised and shareholders did not feel the need to meet with the Chairman privately.

Long-term investors 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.

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

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

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

The Notes form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2020

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	Other non- distributable reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
Total shareholders' funds at 31 July 2019		18,058	38,073	3,197	7,367	8,613	237,954	9,737	322,999
Net (loss)/return on ordinary activities after taxation for the year		–	–	–	–	–	(61,671)	6,421	(55,250)
Repurchase of ordinary shares	14	–	–	–	–	(5,234)	–	–	(5,234)
Issue of ordinary shares on the exercise of rights attached to subscription shares	14	770	11,332	–	–	–	–	–	12,102
Issue of new ordinary shares	14	67	1,096	–	–	–	–	–	1,163
Dividend paid to shareholders	9	–	–	–	–	–	–	(6,380)	(6,380)
Total shareholders' funds at 31 July 2020		18,895	50,501	3,197	7,367	3,379	176,283	9,778	269,400
Total shareholders' funds at 31 July 2018		17,167	24,316	3,197	7,367	8,613	221,309	6,005	287,974
Net return on ordinary activities after taxation for the year		–	–	–	–	–	16,645	7,509	24,154
Issue of ordinary shares on the exercise of rights attached to subscription shares	14	303	4,327	–	–	–	–	–	4,630
Issue of new ordinary shares	14	588	9,430	–	–	–	–	–	10,018
Dividend paid to shareholders	9	–	–	–	–	–	–	(3,777)	(3,777)
Total shareholders' funds at 31 July 2019		18,058	38,073	3,197	7,367	8,613	237,954	9,737	322,999

The Notes form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 JULY 2020

Company number 3183919

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	10	241,271	312,681
Current assets			
Derivative instruments	11	7,299	1,537
Debtors	12	1,886	3,325
Amounts held at futures clearing houses and brokers		1,115	2,905
Cash at bank		21,262	5,796
		31,562	13,563
Creditors			
Derivative instruments	11	(1,149)	(2,192)
Other creditors	13	(2,284)	(1,053)
		(3,433)	(3,245)
Net current assets		28,129	10,318
Net assets		269,400	322,999
Capital and reserves			
Share capital	14	18,895	18,058
Share premium account	15	50,501	38,073
Capital redemption reserve	15	3,197	3,197

Other non-distributable reserve	15	7,367	7,367
Other reserve	15	3,379	8,613
Capital reserve	15	176,283	237,954
Revenue reserve	15	9,778	9,737
		-----	-----
Total shareholders' funds		269,400	322,999
		=====	=====
Net asset value per ordinary share	16	364.39p	447.16p
		=====	=====
Diluted net asset value per ordinary share	16	n/a	439.91p
		=====	=====

The Financial Statements were approved by the Board of Directors on 13 October 2020 and were signed on its behalf by:

KATE BOLSOVER
Chairman

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITY

Fidelity Asian 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 3183919, 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 October 2019. 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. The Company's Going Concern Statement in the Strategic Report takes account of all events and conditions up to the date of approval of these Financial Statements and includes 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 adopt the going concern basis for at least twelve months from the date of this Annual Report.

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

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

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

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

Derivative instrument income received from dividends on long contracts for difference ("CFDs") are 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, collateral and bank deposits 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 base investment management fee is allocated in full to revenue;
- The variable investment management fee, which took effect from 1 November 2018, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Comparative Index; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

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

h) Finance costs – Finance costs comprise interest on bank overdrafts 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 charged in full to the revenue column of the Income Statement.

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

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

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

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

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Unlisted investments, are investments which are not quoted, or are not frequently traded, and are stated at the Directors' best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provide a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase. Consideration is also given to the valuations received from an external valuer.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within (losses)/gains 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, futures, options and forward currency contracts. 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;
- Futures – the difference between the contract price and the quoted trade price;
- Options – valued based on similar instruments or the quoted trade price for the contract; and
- Forward currency contracts – valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date.

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

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

o) Other creditors – Other creditors include securities purchased for future settlement, investment management fees, secretarial and administration 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) 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;
- Variable investment management fees;
- Dividends receivable which are capital in nature;
- Other expenses which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

	31.07.20	31.07.19
	£'000	£'000
Interest on bank overdrafts	2	4
Interest paid on CFDs	428	341
Dividends paid on short CFDs	256	333
	-----	-----
	686	678
	=====	=====

7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	year ended 31 July 2020			year ended 31 July 2019		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge						
for the year						
Overseas taxation	731	–	731	492	–	492
Indian capital gains tax received	–	(7)	(7)	–	(4)	(4)
	-----	-----	-----	-----	-----	-----
Taxation charge for the year (see Note 7b)	731	(7)	724	492	(4)	488
	=====	=====	=====	=====	=====	=====

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% (2019: 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 July 2020			year ended 31 July 2019		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Net return/(loss) on ordinary activities before taxation	7,152	(61,678)	(54,526)	8,001	16,641	24,642
	-----	-----	-----	-----	-----	-----
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	1,359	(11,719)	(10,360)	1,520	3,162	4,682
Effects of:						
Capital losses/(gains) not taxable*	–	11,778	11,778	–	(3,213)	(3,213)
Income not taxable	(1,826)	–	(1,826)	(2,058)	–	(2,058)
Excess management expenses	467	(44)	423	488	44	532
Expenses not deductible	–	–	–	–	7	7
Excess interest paid	–	(15)	(15)	50	–	50
Overseas taxation	731	–	731	492	–	492
Indian capital gains tax received	–	(7)	(7)	–	(4)	(4)
Taxation charge for the year (see Note 7a)	731	(7)	724	492	(4)	488
	=====	=====	=====	=====	=====	=====

* The Company is exempt from UK corporation tax 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 £5,354,000 (2019: £4,425,000), in respect of excess management expenses of £24,531,000 (2019: £22,304,000) and excess interest paid of £3,648,000 (2019: £3,728,000), 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 July 2020			year ended 31 July 2019		
	revenue	capital	total	revenue	capital	total
Basic return/(loss) per ordinary share	8.64p	(82.95p)	(74.31p)	10.70p	23.71p	34.41p
Diluted return per ordinary share	n/a	n/a	n/a	10.58p	23.46p	34.04p
	=====	=====	=====	=====	=====	=====

The basic return/(loss) per ordinary share are based on, respectively; the net revenue return on ordinary activities after taxation for the year of £6,421,000 (2019: £7,509,000), the net capital loss on ordinary activities after taxation for the year of £61,671,000 (2019: return of £16,645,000), and the net total loss on ordinary activities after taxation for the year of £55,250,000 (2019: return of £24,154,000), and on 74,348,836 ordinary shares (2019: 70,193,856), being the weighted average number of ordinary shares held outside Treasury during the year.

There is no diluted return/(loss) per ordinary share for the current period as all the subscription shares were exercised or cancelled (see Note 14 for further details).

In the prior year, the diluted returns per ordinary share reflected the notional dilutive effect that would have occurred if the rights attached to subscription shares had been exercised and additional ordinary shares had been issued. The returns on ordinary activities after taxation used in the prior year diluted calculation are the same as those for the basic returns above. These returns are divided by the notional weighted average number of ordinary shares in issue of 70,964,574. This number of shares reflected the additional number of ordinary shares that could have been purchased at the average ordinary share price for the year with the proceeds from the excess of the subscription share rights exercise price over the average ordinary share price.

9 DIVIDENDS PAID TO SHAREHOLDERS

year ended	year ended
31.07.20	31.07.19

	£'000	£'000
Dividend paid		
Dividend paid of 8.80 pence per Ordinary Share paid for the year ended 31 July 2019	6,380	–
Dividend paid of 5.50 pence per ordinary share for the year ended 31 July 2018	–	3,777
	-----	-----
	6,380	3,777
	=====	=====
Dividend proposed		
Dividend proposed of 8.50 pence per Ordinary Share paid for the year ended 31 July 2020	6,250	–
Dividend proposed of 8.80 pence per Ordinary Share paid for the year ended 31 July 2019	–	6,380
	-----	-----
	6,250	6,380
	=====	=====

The Directors have proposed the payment of a dividend for the year ended 31 July 2020 of 8.50 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 8 December 2020 and has not been included as a liability in these Financial Statements. The dividend will be paid on 10 December 2020 to shareholders on the register at the close of business on 23 October 2020 (ex-dividend date 22 October 2020).

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 £'000	2019 £'000
Listed investments	240,932	312,139
Unlisted investments	339	542
	-----	-----
Investments at fair value	241,271	312,681
	=====	=====
Opening book cost	289,167	260,237
Opening investment holding gains	23,514	13,477
	-----	-----
Opening fair value	312,681	273,714
	=====	=====
Movements in the year		
Purchases at cost	173,591	157,608
Sales – proceeds	(178,258)	(135,247)
(Losses)/gains on investments	(66,743)	16,606
	-----	-----
Closing fair value	241,271	312,681
	=====	=====
Closing book cost	266,633	289,167
Closing investment holding (losses)/gains	(25,362)	23,514
	-----	-----
Closing fair value	241,271	312,681
	=====	=====

The Company received £178.3m (2019: £135.2m) from investments sold in the year. The book cost of these investments when they were purchased was £196.1m (2019: £128.7m). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs

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

	year ended 31.07.20 £'000	year ended 31.07.19 £'000
Purchases transaction costs	268	207
Sales transaction costs	360	292
	-----	-----
	628	499
	=====	=====

The portfolio turnover rate of the year was 67.0% (2019: 52.2%).

11 DERIVATIVE INSTRUMENTS

	year ended 31.07.20 £'000	year ended 31.07.19 £'000
Gains/(losses) on derivative instruments		
Realised losses on long CFD positions closed	(1,741)	(36)
Realised gains on short CFD positions closed	430	636
Realised gains on futures contracts closed	142	284

Realised gains/(losses) on options contracts closed	1,162	(2,506)
Realised losses on forward currency contracts	(238)	(431)
Movement in investment holding gains/(losses) on long CFDs	6,745	(903)
Movement in investment holding (losses)/gains on short CFDs	(757)	497
Movement in investment holding gains/(losses) on futures	732	(245)
Movement in investment holding (losses)/gains on options	(142)	2,230
Movement in investment holding (losses)/gains on forward currency contracts	(48)	26
Movement in investment holding losses on warrants	–	(125)
	-----	-----
	6,285	(573)
	=====	=====

	2020	2019
	fair value	fair value
	£'000	£'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	7,299	1,537
Derivative instrument liabilities	(1,149)	(2,192)
	-----	-----
	6,150	(655)
	=====	=====

	2020	gross asset exposure	2019	gross asset exposure
	fair value	£'000	fair value	£'000
	£'000	£'000	£'000	£'000
At the year end the Company held the following derivative instruments				
Long CFDs	5,675	23,230	(1,070)	5,654
Long future	487	6,791	(330)	13,532
Short CFDs	105	5,393	862	13,055
Short futures	–	–	85	1,401
Written put option	–	–	(133)	1,101
Forward currency contracts (hedging exposure)	(117)	(117)	(69)	(69)
	-----	-----	-----	-----
	6,150	35,297	(655)	34,674
	=====	=====	=====	=====

12 DEBTORS

	2020	2019
	£'000	£'000
Securities sold for future settlement	619	1,559
Accrued income	1,183	1,499
Other debtors and prepayments	84	267
	-----	-----
	1,886	3,325
	=====	=====

13 OTHER CREDITORS

	2020	2019
	£'000	£'000
Securities purchased for future settlement	1,780	644
Creditors and accruals	504	409
	-----	-----
	2,284	1,053
	=====	=====

14 SHARE CAPITAL

	2020	2019
	number of shares	number of shares
	£'000	£'000
Issued, allotted and fully paid		
Ordinary shares of 25 pence each held outside Treasury		
Beginning of the year	72,233,453	68,669,402
Ordinary shares issued on the exercise of rights	3,081,455	1,213,003
New ordinary shares issued	265,981	2,351,048
Ordinary shares repurchased into Treasury	(1,648,782)	–
	-----	-----

End of the year	73,932,107	18,483	72,233,453	18,058
	=====	=====	=====	=====
Ordinary shares of 25 pence each held in Treasury¹				
Beginning of the year	–	–	–	–
Ordinary shares repurchased into Treasury	1,648,782	412	–	–
	-----	-----	-----	-----
End of the year	1,648,782	412	–	–
	=====	=====	=====	=====
Subscription shares of 0.001 pence				
Beginning of the year	11,103,030	–	12,316,033	–
Cancellation of subscription shares on the exercise of rights	(3,081,455)	–	(1,213,003)	–
Cancellation of subscription shares	(8,021,575)	–	–	–
	-----	-----	-----	-----
End of the year	–	–	11,103,030	–
	=====	=====	=====	=====
Total share capital		18,895		18,058
		=====		=====

¹ 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 £5,234,000 (2019: £nil).

A bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held took place on 5 December 2016. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price. The subscription price was based on the published unaudited NAV per ordinary share at 2 December 2016, plus a premium (rounded to the nearest quarter penny) depending upon the year in which the right was exercised. The subscription share rights could have been exercised annually in the 25 business days prior to the relevant subscription date (on which the exercise would take effect). The subscription dates, subscription prices and premiums were as follows:

	Exercise date	Exercise price	Premium
First exercise date	30 November 2017	370.75p	1%
Second exercise date	30 November 2018	381.75p	4%
Final exercise date	29 November 2019	392.75p	7%

After the final subscription date of 29 November 2019, the Company appointed a Trustee to exercise any rights remaining that were not exercised by shareholders, providing that by doing so a profit could be realised. To realise a profit, the sale proceeds from selling the resulting ordinary shares in the market would need to be in excess of the 392.75 pence per share price of exercising the rights, plus any related expenses and fees. On 13 December 2019, the Board announced that the Trustee had not exercised any of the unexercised subscription rights of the 8,021,575 outstanding subscription shares. The Trustee determined the net proceeds of sale, after deduction of all costs and expenses, would not have exceeded the costs of exercising the subscription share rights. Therefore, all subscription share rights for the outstanding subscription shares lapsed with nil value.

During the year, the Company issued 3,081,455 ordinary shares (2019: 1,213,003 shares) on the exercise of rights attached to subscription shares. The subscription share price of 392.75 pence per ordinary share issued represented a premium of 367.75 pence per share over the 25 pence nominal value of each share. The total premium received in the year on the issue of ordinary shares of £11,332,000 (2019: £4,327,000) was credited to the share premium account.

The Company issued 265,981 new ordinary shares during the year (2019: 2,351,048 shares). The total premium received in the year on the issue of new ordinary shares of £1,096,000 (2019: £9,430,000) was credited to the share premium account.

15 RESERVES

The “share premium account” represents the amount by which the proceeds, from the issue of new ordinary shares or the issue of ordinary shares on the exercise of rights attached to subscription shares, exceeded the nominal value 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 “other non-distributable reserve” represents amounts transferred from the warrant reserve in prior years with High Court approval. It is not distributable by way of dividend. It cannot be used to fund share repurchases.

The “other reserve” represents amounts transferred from the share premium account and the capital redemption reserve in prior years with High Court approval. It is not distributable by way of dividend. It can be used to fund share repurchases.

The “capital reserve” reflects realised gains or losses on investments and derivative instruments sold, unrealised increases and decreases in the fair value of investments and derivative instruments held and other income and costs recognised in the capital column of the Income Statement. Refer to Notes 10 and 11 for information on investment holding gains/(losses) included in this reserve. See Note 2(p) above for further details. 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.

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 basic net asset value per ordinary share is based on net assets of £269,400,000 (2019: £322,999,000) and on 73,932,107 (2019: 72,233,453) ordinary shares, being the number of ordinary shares of 25 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.

There is no diluted net asset value per ordinary share as all the subscription shares were exercised or cancelled during the year (see Note 14 for further details).

The diluted net asset value per ordinary share at 31 July 2019 reflects the potential dilution in the net asset value per ordinary share if the rights of the 11,103,030 subscription shares in issue had been exercised on 31 July 2019 at the next exercise date price of 392.75 pence per share. The basis of the calculation is in accordance with the guidelines laid down by the AIC.

17 FINANCIAL INSTRUMENTS

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, economic and political, investment performance, key person, discount control, gearing, derivatives, currency, cybercrime and pandemic risks. Other risks identified are tax and regulatory and 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.

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

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

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

Market price risk

Interest rate risk

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

Interest rate risk exposure

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

	2020 £'000	2019 £'000
Exposure to financial instruments that earn interest		
Cash at bank	21,262	5,796
Short CFDs – exposure plus fair value	5,498	13,917
Amounts held at futures clearing houses and brokers	1,115	2,905
	-----	-----
	27,875	22,618
	=====	=====
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	17,555	6,724
	-----	-----
Net exposure to financial instruments that earn interest	10,320	15,894
	=====	=====

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 Portfolio Manager may seek to manage exposure to currency movements by using forward and spot foreign exchange contracts. The Company can also be subject to short-term exposure to exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

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

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

Currency exposure of financial assets

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

Currency	investments at fair value £'000	long exposure to derivative instruments ¹ £'000	debtors ² £'000	cash at bank £'000	2020 Total £'000
Hong Kong dollar	59,135	15,730	474	50	75,389

Indian rupee	51,163	–	1,234	162	52,559
South Korean won	31,527	–	106	150	31,783
Taiwan dollar	23,098	–	312	89	23,499
Indonesian rupiah	21,064	–	362	–	21,426
Australian dollar	15,230	2,755	117	–	18,102
US dollar	9,616	9,549	66	19,665	38,896
Philippine peso	6,390	(117)	216	–	6,489
Singapore dollar	5,672	1,987	30	–	7,689
Sri Lankan rupee	4,948	–	–	–	4,948
Thai baht	3,809	–	–	–	3,809
Other overseas currencies	8,562	–	–	1,146	9,708
UK Sterling	1,057	–	84	–	1,141
	-----	-----	-----	-----	-----
	241,271	29,904	3,001	21,262	295,438
	=====	=====	=====	=====	=====

1 The exposure to the market of long CFDs and long futures after the netting of hedging exposures.

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

Currency	investments held at fair value £'000	long exposure to derivative instruments ¹ £'000	debtors ² £'000	cash at bank £'000	2019 total £'000
Hong Kong dollar	74,204	5,654	776	–	80,634
Indian rupee	69,495	–	1,016	446	70,957
Indonesian rupiah	33,872	–	5	–	33,877
South Korean won	29,967	–	–	7	29,974
Taiwan dollar	28,157	–	1,475	282	29,914
Philippine peso	17,359	(69)	27	–	17,317
Singapore dollar	13,419	–	25	–	13,444
Australian dollar	11,777	–	20	–	11,797
Thai baht	10,562	–	–	–	10,562
Sri Lankan rupee	6,504	14,633	2,255	3,035	26,427
US dollar	6,429	–	–	–	6,429
Other overseas currencies	10,936	–	365	1,867	13,168
UK Sterling	–	–	266	159	425
	-----	-----	-----	-----	-----
	312,681	20,218	6,230	5,796	344,925
	=====	=====	=====	=====	=====

1 The exposure to the market of long CFDs, long futures and options after the netting of hedging exposures.

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

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 payables. The currency profile of these financial liabilities is shown below:

Currency	short exposure to derivative instruments ¹ £'000	other creditors £'000	2020 total £'000
US dollar	1,834	1,440	3,274
Hong Kong dollar	1,756	188	1,944
Australian dollar	1,114	83	1,197
Singapore dollar	689	–	689
Indian rupee	–	69	69
UK Sterling	–	504	504
	-----	-----	-----
	5,393	2,284	7,677
	=====	=====	=====

1 The exposure to the market of short CFDs.

Currency	short exposure to derivative instruments ¹ £'000	other creditors £'000	2019 total £'000
US dollar	6,680	90	6,770
Australian dollar	3,341	–	3,341
Hong Kong dollar	3,034	54	3,088

Indian rupee	1,401	366	1,767
Other overseas currencies	–	134	134
UK Sterling	–	409	409
	-----	-----	-----
	14,456	1,053	15,509
	=====	=====	=====

1 The exposure to the market of short CFDs and short futures.

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's internal Derivative Risk Measurement and Management Document.

Liquidity risk

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

Liquidity risk exposure

At 31 July 2020, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £1,149,000 (2019: £2,192,000) and creditors of £2,284,000 (2019: £1,053,000).

Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. 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, the Manager will seek to minimise such risk 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 Over The Counter ("OTC") 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 July 2020, £5,758,000 (2019: £nil) 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: Goldman Sachs International Ltd £350,000 in cash denominated in US dollars, HSBC Bank plc £1,424,000 in cash denominated in US dollars and UBS AG £3,984,000 in cash denominated in US dollars. £1,115,000 (2019: £2,905,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral is comprised of: UBS AG £1,115,000 (2019: £2,610,000) in cash and HSBC Bank Plc £nil (2019: £295,000) in cash.

Credit risk

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

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;
- to hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market; and
- to position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 July 2020, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £26,000 (2019: increased the net return and net assets by £40,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at the Balance Sheet date, a 10% strengthening of the UK Sterling exchange rate against other currencies would have increased the Company's net loss on ordinary activities after taxation for the year and decreased the net assets (2019: decreased the net return and net assets) by the following amounts:

	2020	2019
Currency	£'000	£'000
Hong Kong dollar	6,677	7,611
Indian rupee	4,772	6,611
US dollar	3,238	3,018
South Korean won	2,889	2,729
Taiwan dollar	2,136	2,721

Indonesian rupiah	1,948	3,080
Australian dollar	1,537	1,376
Singapore dollar	636	1,222
Philippine peso	590	1,574
Sri Lankan rupee	450	584
Thai baht	346	960
Other overseas currencies	883	1,204
	-----	-----
	26,102	32,690
	=====	=====

Based on the financial instruments held and currency exchange rates at the Balance Sheet date, a 10% weakening of the UK Sterling exchange rate against other currencies would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets (2019: increased the net return and net assets) by the following amounts:

	2020	2019
Currency	£'000	£'000
Hong Kong dollar	8,161	9,302
Indian rupee	5,832	8,080
US dollar	3,958	3,689
South Korean won	3,531	3,335
Taiwan dollar	2,611	3,325
Indonesian rupiah	2,381	3,764
Australian dollar	1,878	1,682
Singapore dollar	778	1,494
Philippine peso	721	1,924
Sri Lankan rupee	550	714
Thai baht	423	1,174
Other overseas currencies	1,079	1,471
	-----	-----
	31,903	39,954
	=====	=====

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 July 2020, an increase of 10% in share prices, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £24,127,000 (2019: increased the net return and net assets by £31,268,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 July 2020, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £2,463,000 (2019: increased the net return and net assets by £583,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

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

Fair Value Hierarchy

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

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

	level 1	level 2	level 3	2020 total
Financial assets at fair value through profit or loss	£'000	£'000	£'000	£'000
Investments	238,836	2,096	339	241,271
Derivative instrument assets	487	6,812	–	7,299
	-----	-----	-----	-----
	239,323	8,908	339	248,570
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(1,149)	–	(1,149)
	=====	=====	=====	=====

	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Financial assets at fair value through profit or loss				
Investments	311,753	386	542	312,681
Derivative instrument assets	85	1,194	258	1,537
	-----	-----	-----	-----
	311,838	1,580	800	314,218
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(463)	(1,729)	–	(2,192)
	=====	=====	=====	=====

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

	year ended 31.07.20 £'000	year ended 31.07.19 £'000
Beginning of the year	800	407
Transfer into level 3 - China Ding Yi Feng Holdings (Short CFD)*	–	258
Proceeds from closing of the China Ding Yi Feng Holdings (Short CFD) position	(208)	–
(Losses)/gains on investments	(253)	135
	-----	-----
End of the year	339	800
	=====	=====

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

JHL Biotech Inc

JHL Biotech Inc develops biosimilars and is also engaged in providing process development and contract manufacturing solutions to the biopharmaceutical industry. On 26 February 2018, JHL Biotech voluntarily delisted from the Taipei Exchange. The valuation at 31 July 2020 is based on the company's financial information and benchmarking the position to a range of comparable companies.

Chime Biologics

Chime Biologics is a China-based Contract Development and Manufacturing Organization (CDMO) that provides a solution supporting customers from early-stage biopharmaceutical development through to late-stage clinical and commercial manufacturing. The valuation at 31 July 2020 is based on the price of the shares when US\$277 million of funding was raised in February 2020.

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, 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. The principal risks and their management are disclosed in the Strategic Report and in Note 17 above.

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

	2020 gross asset exposure £'000	2019 gross asset exposure £'000
Long exposure to shares and equity linked notes	241,271	312,681
Long CFDs	23,230	5,654
Long future	6,791	13,532
Written put option	–	1,101
	-----	-----
Total long exposures	271,292	332,968
Less: hedging exposure to forward currency contracts	(117)	(69)
	-----	-----
Total long exposures after the netting of hedges	271,175	332,899
Short CFDs	5,393	13,055
Short futures	–	1,401
	-----	-----
Gross Asset Exposure	276,568	347,355
	=====	=====
Total Shareholders' Funds	269,400	322,999
	=====	=====
Gearing*	2.7%	7.5%
	=====	=====

* Gross Asset Exposure less Total Shareholders' Funds expressed as a percentage of Total Shareholders' Funds.

19 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

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

Details of the current fee arrangements are given in the Directors' Report. During the year, management fees of £1,655,000 (2019: £2,262,000), and secretarial and administration fees of £75,000 (2019: £75,000) were payable to FII. At the Balance Sheet date, management fees of £117,000 (2019: £217,000), and secretarial and administration fees of £6,000 (2019: £6,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services was £118,000 (2019: £146,000). At the Balance Sheet date, £25,000 (2019: £20,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Director's fees and taxable expenses relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £16,000 (2019: £13,000) of employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £12,000 (2019: £11,000) were accrued and payable.

ALTERNATIVE PERFORMANCE MEASURES

TOTAL RETURN

Total return is considered to be an Alternative Performance Measure. NAV and diluted NAV total return includes reinvestment of the dividend in the NAV/diluted 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 July 2020 and 31 July 2019.

	Net asset value per ordinary share – undiluted	Net asset value per ordinary share – diluted	Share price
2020			
31 July 2019	447.16p	439.91p	455.50p
31 July 2020	364.39p	n/a	335.00p
Change in year	-18.5%	n/a	-26.5%
Impact of dividend reinvestment	+1.8%	n/a	+1.7%
	-----	-----	-----
Total return for the year	-16.7%	n/a	-24.8%
	=====	=====	=====

	Net asset value per ordinary share – undiluted	Net asset value per ordinary share – diluted	Share price
2019			
31 July 2018	419.36p	413.64p	412.00p
31 July 2019	447.16p	439.91p	455.50p
Change in year	+6.6%	+6.4%	+10.6%
Impact of dividend reinvestment	+1.6%	+1.5%	+1.7%
	-----	-----	-----
Total return for the year	+8.2%	+7.9%	+12.3%
	=====	=====	=====

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.

	2020	2019
Investment management fees (£'000)	1,967	2,030
Other expenses (£'000)	797	811
Ongoing charges (£'000)	2,764	2,841
Variable element of management fees (£'000)	(312)	232
Average net assets (£'000)	280,521	289,809
Ongoing charges ratio	0.98%	0.98%
Ongoing charges ratio including variable element of management fee	0.87%	1.06%
	=====	=====

GEARING

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

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 July 2020 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2019 and 2020 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2019 is derived from the statutory accounts for 2018 which have been delivered to the Registrar of Companies. The 2020 Financial Statements will be filed with the Registrar of Companies in due course.

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

The Annual Report will be posted to shareholders in due course and additional copies will be available from the registered office of the Company and on the Company's website: www.fidelityinvestmenttrusts.com where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

The Annual General Meeting will be held at 11.00 on 8 December 2020

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

ENDS