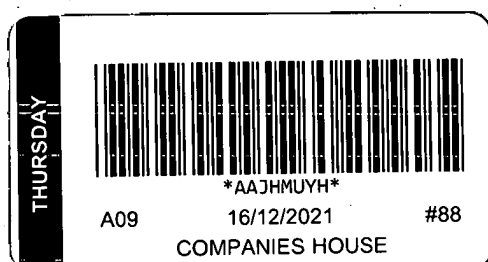

FIDELITY SPECIAL VALUES PLC

Annual Report for the year ended 31 August 2021

Company number 2972628



Investment Objective and Overview

Fidelity Special Values PLC aims to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.

The Company aims to achieve long term capital growth for Shareholders by investing in 'special situations' and the last year has resulted in an abundance of such opportunities. The investment trust is primarily invested in UK equities, but may invest up to 20% of total net assets outside of UK companies. The portfolio consists of between 80-120 positions and the Portfolio Manager's strategy invests across the market capitalisation spectrum, usually with an overweight to medium sized and smaller companies.

It is an actively managed contrarian strategy that seeks out undervalued opportunities - this typically means investing in companies that have underperformed and where there is little or no value ascribed to any recovery potential.

By building a portfolio of stocks that are at different stages of their recovery process, the intention is to deliver outperformance across different market environments.

Performance for the reporting year has been extremely pleasing, with a NAV total return of 56.2% and a share price total return by 73.8% compared to a Benchmark Index return of 26.9%. The Company's shares have mostly traded at a premium and the Board has authorised the issue of 24,024,913 shares in the reporting year to meet demand.

Andy Irvine, Chairman

At a Glance

The Company's net asset value per ordinary share increased by 56.2% and the share price by 73.8%, whilst the Benchmark Index increased by 26.9% (all performance data on a total return basis).

As at 31 August 2021

Shareholders' Funds

£954.1m

Market Capitalisation

£965.7m

Capital Structure

Ordinary Shares of 5 pence each

313,028,920

Summary of the key aspects of the Investment Policy

The investment approach is flexible, with positions in large, medium and smaller sized companies, across all industries. The Company may make limited investments in companies outside of the UK.

The Company may also invest in other transferable securities, collective investment schemes, money market instruments, cash and deposits, and is also able to use derivatives for efficient portfolio management and investment purposes.

The Company is able to gear the portfolio and the Board takes the view that long term returns for Shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

Financial Highlights

	2021	2020
Assets at 31 August		
Shareholders' funds	£954.1m	£579.5m
Net Asset Value ("NAV") per ordinary share ¹	304.79p	199.81p
Dividends for the year to 31 August		
Final dividend proposed per ordinary share	4.50p	3.70p
Interim dividend paid per ordinary share	2.17p	2.10p
Total dividends for the year	6.67p	5.80p
Share price and discount data for the year ended 31 August		
Share price at the year end	308.50p	181.60p
Share price: year high	309.00p	280.50p
Share price: year low	169.00p	135.00p
Premium/(Discount) at year end ¹	1.2%	(9.1%)
Premium: year high	3.1%	4.1%
Discount: year high	(12.3%)	(11.2%)
Ongoing Charges for the year ended 31 August ^{1, 2}	0.76%	0.98%

¹ Alternative Performance Measures.

² Ongoing Charges (excluding finance costs and taxation) expressed as a percentage of the average net asset values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies ("AIC")). A definition of Ongoing Charges is in the Glossary of Terms on page 89.

Contents

Strategy

Chairman's Statement	02
Portfolio Manager's Review	06
Spotlight on the Top 10 Holdings	10
Portfolio Listing	12
Distribution of the Portfolio	16
Ten Year Record	18
Summary of Performance Charts	19
Attribution Analysis	21
Strategic Report	22
ESG in the Investment Process	29
ESG and Sustainable Investing at Fidelity	30

STRATEGY

Governance

Board of Directors	32
Directors' Report	33
Corporate Governance Statement	38
Directors' Remuneration Report	42
Statement of Directors' Responsibilities	45
Report of the Audit Committee	46

GOVERNANCE

Financial

Independent Auditor's Report	48
Income Statement	54
Balance Sheet	55
Statement of Changes in Equity	56
Cash Flow Statement	57
Notes to the Financial Statements	58
Alternative Performance Measures	77
Financial Calendar	78

FINANCIAL

Information for Shareholders

Notice of Meeting	79
Shareholder Information	83
Data Protection	85
Alternative Investment Fund Manager's Disclosure	86
Glossary of Terms	88

INFORMATION FOR SHAREHOLDERS

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity Special Values PLC for the year ended 31 August 2021.

Andy Irvine, Chairman

£954.1m

(As at 31 August 2021)
Shareholders' Funds

+56.2%

(Year ended 31 August 2021)
Net Asset Value per Ordinary Share
total return

+73.8%

(Year ended 31 August 2021)
Share Price total return

+26.9%

(Year ended 31 August 2021)
Benchmark Index total return

The year under review was an extraordinary one, in terms of the global and external factors affecting the companies in which we invest, the broader market, the daily lives of our Shareholders, and their personal investments. This in turn led to extraordinary changes in investor confidence and sentiment leading to a remarkable, if uneven, recovery of asset prices.

Last year I wrote of the challenges posed by COVID-19, and it is therefore with a sense of relief, even hope, that we can reflect on improving prospects for a global recovery from the virus and its consequential social, economic and market impacts and how this may play out in the UK.

The Company aims to achieve long term capital growth for Shareholders by investing in 'special situations' and the last year has resulted in an abundance of such opportunities. The investment trust is primarily invested in UK equities, but may invest up to 20% of total net assets outside of UK companies. The portfolio consists of around 80-120 positions and the Portfolio Manager's strategy invests across the market capitalisation spectrum, usually with an overweight to medium sized and smaller companies. It is an actively managed contrarian strategy that seeks out undervalued opportunities - this typically means investing in companies that have underperformed and where there is little or no value ascribed to any recovery potential.

By building a portfolio of stocks that are at different stages of their recovery process, the intention is to deliver outperformance across different market environments.

Performance

The Company's performance for the reporting year has been extremely pleasing, with a net asset value ("NAV") return of 56.2% and a share price return of 73.8%, compared to a Benchmark Index return of 26.9%. Performance figures over Alex's tenure as Portfolio Manager are also strong, with a NAV return of 196.2% and a share price return of 257.1%, compared to a Benchmark Index return of 90.8%. (All performance data on a total return basis). The strong long term performance of the Company has enabled us to expand the Shareholder base through the issuance of a significant number of shares.

Outlook

As set out in his review that follows, Alex Wright, our Portfolio Manager, is still excited about the UK equity market even after the strong returns seen over recent months. He believes that the UK market still looks attractive versus other markets and that there are areas with real potential. It is a particularly exciting market for investors looking for 'value' opportunities - the UK is one of the world's cheapest major stock markets.

The improving economic backdrop has been reflected in a slew of positive earnings news from companies, which are yet to be reflected in valuations and which Alex believes in many cases may be sustainable trends particularly among UK consumer-facing and housing-related holdings.

We are likely to see some short term scares relating to both Brexit and COVID-19, such as the perceived petrol shortages leading to queues at petrol stations at the end of September. Given the strong performance run of global indices throughout the last year, we may also see a period of consolidation. However, longer term, with uncertainty surrounding Brexit reducing and a successful vaccination program, we expect to see companies and consumers increase their spending – and the UK and its companies are well placed to benefit from this.

OTHER MATTERS

Revised Management Fee

I am very pleased to inform Shareholders that the Board agreed a reduced management fee with the Manager, FIL Investment Services (UK) Limited, which was effective from 1 January 2021. The previous tiered fee structure of 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million was replaced by a single fee of 0.60% of net assets. In addition, the fixed annual fee of £100,000 for services other than portfolio management was removed.

There is no change in the investment process as a result of the new fee arrangement.

Discount/Premium and Share Repurchases/Issues

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

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

Over the reporting year, the Company's shares traded between a premium of 3.1% and a discount of 12.3%. The level of discount narrowed from 9.1% at the start of the reporting year to a premium of 1.2% as at 31 August 2021. The peer group average discount as at the year end was 5.2%.

During September and early October 2020, the Company's discount widened, and in order to maintain it in single digits, the Board approved the repurchase of 1,025,473

ordinary shares into Treasury. All of these shares were subsequently re-issued in late November and early December 2020 as the shares moved back to a premium. Since then and as at the date of this Annual Report, no further shares have been repurchased into Treasury or for cancellation.

In the reporting year, the Company's shares mostly traded at a premium and in order to meet demand, the Company issued a total of 24,024,913 ordinary shares from a combination of shares held in Treasury as above, and its block listing facilities. Since then and as at the date of this Annual Report, the Company has issued a further 500,000 shares.

The issuance of shares has been at a rate where, were it to continue, the remaining authority to issue shares approved by Shareholders at the Annual General Meeting ("AGM") on 14 December 2020 would be exhausted some time in advance of the Company's AGM on 14 December 2021. Therefore, the Board held a General Meeting on 15 September 2021 in order to renew the authority to allot shares and disapply pre-emption rights to enable the Company to allot up to 10 per cent. of the shares in issue as at 11 August 2021, in addition to the unused part of the authority granted at the Company's 2020 AGM.

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

Gearing

The Board has agreed with the Portfolio Manager that if he is able to find attractive opportunities in the market, then the Company's gearing should be allowed to rise. Combined with Alex's contrarian and value-focused investment philosophy, and also making good use of the Company's structural advantages over its open-ended counterparts, this should continue to add value for Shareholders over the long term.

It is the current intention of the Board that, in normal market conditions, the Portfolio Manager will maintain net gearing in the range of 0% to 25%. The Company remained within these levels throughout the reporting year. The maximum level of gross gearing allowed is 40%.

Dividend

The Board's policy is to pay dividends twice yearly in order to smooth the dividend payments for the Company's reporting year. The Company's revenue return for the year to 31 August 2021 was 7.22 pence per share (2020: 4.81p), and an interim dividend of 2.17 pence per share was paid on 23 June 2021 (2020: 2.10p).

Chairman's Statement continued

The Board recommends a final dividend of 4.50 pence per share for the year ended 31 August 2021 (2020: 3.70 pence) for approval by Shareholders at the AGM on 14 December 2021. The interim and final dividends (total of 6.67 pence) represent an increase of 0.87 pence (15%) over the 5.80 pence paid for the year ended 31 August 2020. In the prior year, the dividends of many companies in the portfolio were under pressure, with dividends either being cut or cancelled, and the Company therefore utilised revenue reserves built up in previous years to cover the final dividend. This year the Company has been able to return to paying dividends entirely from the revenue earned in the reporting year.

The final dividend will be payable on 12 January 2022 to Shareholders on the register at close of business on 3 December 2021 (ex-dividend date 2 December 2021).

Board of Directors

Nicky McCabe, having served on the Board as a Non-Executive Director since December 2004, stepped down from the Board at the conclusion of the AGM on 14 December 2020.

Having served on the Board for 11 years, five of which have been as Chairman of the Board, it is my intention not to seek re-election at the AGM in 2022. A recruitment process will be carried out in due course as part of the Board's succession plan.

In accordance with the UK Corporate Governance Code for FTSE 350 companies, all Directors are subject to annual re-election at the AGM on 14 December 2021. The Directors' details can be found on page 32, and between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Articles of Association

Among the temporary measures forced upon us by the COVID-19 pandemic was the closed session AGM we held last year.

With the intention of providing the very best experience for Shareholders longer term and mindful of potential future restrictions, the Board is proposing amendments to the Articles of Association (the "Articles") to enable the Company to hold 'hybrid' general meetings. Hybrid meetings involve either the physical or electronic attendance and voting by Shareholders. By changing the Company's Articles, the Board will have the ability to determine whether a future AGM or general meeting should be held as a physical meeting or as a hybrid meeting.

My fellow Directors and I greatly enjoy the opportunity to meet and exchange views with Shareholders and a physical meeting will remain our preferred format provided Government guidance permits it, but we are keen to provide virtual facilities for future AGMs should it be necessary.

We have also taken the opportunity to update certain other provisions within the Articles, including for example, in relation to retirement of Directors, Directors' fees and regulatory restrictions and information. A full tracked version of all the changes proposed to the Articles is available at www.fidelity.co.uk/specialvalues. The principal changes proposed to the Articles are set out in more detail in the Directors' Report on pages 36 and 37.

Annual General Meeting – Tuesday, 14 December 2021 at 11.30 am

The AGM of the Company will be held at **11.30 am on Tuesday, 14 December 2021** at Fidelity's offices at **4 Cannon Street, London EC4M 5AB** (nearest tube stations are St. Paul's or Mansion House). Full details of the meeting are given in the Notice of Meeting on pages 79 to 82. Appropriate social distancing and hygiene measures will be in place and under the circumstances it is unlikely that we will be able to offer the usual catering service. As the pandemic continues, we anticipate limited numbers in attendance and guests of Shareholders will not be permitted. For those Shareholders who would prefer not to travel or attend in person, for the first time this year we will live-stream the formal business and presentations of the meeting online. A registration link may be found on the Company's website **www.fidelity.co.uk/specialvalues**.

Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

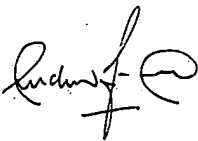
It will not be possible for those viewing online to participate in voting on the proposed resolutions this year, pending approval of the changes to the Articles of Association as set out on page 4.

Alex Wright, the Portfolio Manager, will be making a presentation to Shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that Shareholders may have. 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.

Although we intend to resume our normal format for the AGM this year, if anything changes due to the ongoing pandemic, we will advise investors via the Company's website at **www.fidelity.co.uk/specialvalues** about alternative arrangements for the Portfolio Manager's presentation. The formal business of the meeting will still be carried out in person on 14 December 2021.

We urge all Shareholders to vote and make use of the proxy form provided. If you hold shares through the Fidelity Platform, other platforms 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 in order to lodge your voting instructions.

We thank you for your cooperation.



Andy Irvine
Chairman
5 November 2021

Portfolio Manager's Review

Alex Wright was appointed as Portfolio Manager of Fidelity Special Values PLC on 1 September 2012. He joined Fidelity in 2001 as a research analyst and covered a number of sectors across the market cap spectrum, both in the UK and developed and emerging Europe. He became a portfolio manager in 2007, launching the Fidelity UK Smaller Companies Fund in 2008. He is also Portfolio Manager of Fidelity Special Situations Fund.

Question

How has the Company performed in the period under review?

Answer

After what proved to be a challenging period last year, we are pleased to report a much-improved performance this financial year. The Company recorded a share price total return of 73.8% and a NAV total return of 56.2% for the reporting year, both of which were meaningfully ahead of the FTSE All-Share Index (Benchmark Index) which returned 26.9%. It has been the best financial year in the Company's history, both in terms of NAV and share price total returns. This handsomely rewarded Shareholders for their patience after the disappointing returns seen last year, and reflects our belief that it is often with the greatest disappointments that come the best investment opportunities, a principle that typically informs our search for new ideas among individual stocks. Over the period, UK equities continued to bounce back amid increasing optimism on the back of an acceleration in vaccination rollouts and the relaxation of restrictions. A sharp pick-up in corporate earnings also boosted investor sentiment, as did a flurry of takeover bids for UK companies, including ten portfolio holdings. Thanks to the strong returns and Shareholders' willingness to back us, the Company is also close to the £1 billion market capitalisation mark for the first time in its history.

Question

What were the key factors behind the Company's outperformance?

Answer

Stock selection was the primary driver of returns over the year, reflecting the strong underlying earnings picture, particularly at some of our consumer facing businesses. Among the largest contributors, bicycle and motoring retailer Halfords Group reported a big jump in profits after sales of electric bikes and scooters almost doubled over the last year. Car distributor Inchcape and vehicle rental business Redde Northgate also performed strongly benefiting from supply chain shortages affecting new car production. Among our housing related holdings, estate agency and surveying firm LSL Property Services was another leading contributor, as it reported strong trading momentum.

Mergers and acquisition (M&A) activity was a key feature over the period and boosted several of our key holdings, notably private healthcare provider Spire Healthcare Group (in this case, we voted against the bid, as we believed that the offer undervalued the business) and UK aerospace equipment supplier Meggitt (which attracted

an offer at a 70% premium to the prior closing price). Support services group Mitie Group was another notable contributor, boosted by a major acquisition and refinancing in the year and strong operational performance. Within financials, banking group AIB Group rose on the back of a positive outlook and news of bolt-on acquisitions amid the recently announced withdrawal decisions from a number of competitors in the Irish market.

Key detractors were primarily defensive businesses, including support services groups Serco Group and DCC. Serco's share price weakness has been particularly surprising given the business has performed strongly since the onset of the pandemic, resulting in significant earnings upgrades and better long term growth prospects thanks to closer relationships with governments. Similarly, DCC is a long term compounder that is focused on deploying capital in businesses that generate high return on capital and strong cash conversion with low capital intensity. The holding in power generation company ContourGlobal also lagged amidst unfavourable investor sentiment for utilities due to rising bond yields during the period.

Question

Smaller companies have outperformed large-cap stocks this year – is there still value there?

Answer

While most investors were focusing on the large cap beneficiaries of an eventual market recovery following the COVID-19 dislocation, we have found many opportunities in the smaller companies space. Small-cap stocks are typically under-researched and ignored in periods of uncertainty. Those investors who do focus on the segment tend to favour high growth businesses. Due to a lack of broker coverage, we note that many good quality smaller companies are falling under the radar. While small-cap stocks have bounced back strongly since the beginning of the COVID-19 crisis, and indeed we have taken profits in some holdings, we still see significant value and upside potential available. This value opportunity is reflected in the number of recent takeover bids involving small and mid-cap stocks.

Question

How do you avoid value traps?

Answer

Although we look for undervalued companies, we are very selective in our approach. We look for two key elements before investing in a stock: downside protection and positive change catalysts. We focus on companies where we believe further downside is limited. These will often be companies that have underperformed, but that have some form of asset or defensive revenue stream which gives their share price downside protection. As well as downside protection, we look for companies with positive change dynamics. This could be external changes expected to benefit the business (such as a change in the competitor landscape or a structural change in market demand), internal changes (such as a new management team restructuring the business, a new product line or expansion into new areas), or preferably both.

In order to assess the prospect of a material change in the earnings power of the business, we undertake thorough due diligence. Not only do we meet with the management team to fully understand their corporate strategy, our analysts will also speak to competitors, customers, suppliers and industry experts to validate the information received from management and build conviction in the anticipated change. Subsequent to this, we closely monitor the company's results and updates as well as industry trends to check whether the investment thesis is playing out. As we gain conviction in the change story, we gradually add to the position until the change starts being recognised by the market by which time we will start reducing the position and recycling the proceeds into new investment opportunities.

Question

Has the UK's recovery from COVID-19 played out the way that you expected? Is this a risk or an opportunity moving forward?

Answer

The UK economy was one of the worst affected by the pandemic given its dependence on services and face-to-face interaction. The lockdown restrictions caused a very unusual recession whereby companies were unable to operate for varying lengths of time depending on their industries and consumers were not able to spend as much as they normally would, thus leaving them with more disposable income. This has resulted in pent up demand but also supply bottlenecks. Overall, it has translated into very strong corporate fundamentals, as the economy

Portfolio Manager's Review continued

gradually reopened. Through our research and frequent conversations with individual companies, we were able to pick up early on new spending patterns, which favoured areas such as housing, DIY and some specialist retailers, and this benefited performance.

Looking ahead, there are risks but also opportunities. Thanks to the swift vaccine rollout, the Government has now lifted the last domestic COVID-19 restrictions, and fortunately hospitalisations have remained relatively low, as vaccines continue to prove effective in reducing the number of individuals needing treatment. Those fully vaccinated are no longer required to self-isolate if they come in contact with someone testing positive for the virus, which should help reduce staff absences highlighted recently. However, many companies are reporting input cost pressures due to supply chain issues and skill shortages, and these are areas that we are carefully monitoring.

Conversely, the market has been quick to dismiss some of the corporate results and consumption trends seen recently as being temporary, but we believe some of these will be longer lasting and therefore are yet to be fully reflected in share prices. For instance, we believe the need for more space, hybrid working, lower rate mortgages and an expected pick up in the build-to-rent market will continue to support house builders and building materials suppliers. Public outsourcers such as Serco have performed strongly since the onset of the pandemic, but its shares have underperformed despite winning new long term contracts and coming out of the pandemic much stronger. In fact, across many industries, the pandemic has accelerated restructuring plans, cost cutting and the introduction of new digital/online solutions, as well as significantly shrinking some of the supply in some industries (as companies have ceased trading). As a result, some businesses are emerging from the pandemic in a stronger competitive position.

Question

There are growing concerns about supply chains – what does this mean for the portfolio?

Answer

As economies have reopened and pent up demand is being released, supply chains shortages have become more apparent and input cost pressures are rising as a result. This is because manufacturers have not recovered the lost COVID-19 shutdown production, and transport disruption and staff shortages have made matters worse. This is something we have been monitoring for a while

both as a threat and as an opportunity. Having previously added to our housebuilders and building materials exposure to capitalise on the recovery of the housing market, earlier this year we initiated positions in brick distributor Brickability Group and brick manufacturer Forterra to take advantage of the fact that bricks were in short supply. Both companies have since been reporting very strong demand and their outlook remains robust for the coming year. The supply of new cars has also been severely hindered by semiconductor chip shortages, and we have benefited from this through our holdings in Inchcape, a global retailer of new and used cars, and Redde Northgate, a commercial vehicle rental business. The pent up demand from people who were forced to delay their purchases and the lack of stock is pushing up both new and used car prices, and this should also benefit rentals. Overall, our preference for businesses operating in areas where supply has shrunk should also help, as market leaders typically have more robust supply chains and should more easily be able to pass on input cost pressures and capitalise on limited supply. This is an area we are monitoring closely and is a key focus in our company meetings, concerns over rising margin pressure have led us to sell or trim a couple of holdings recently.

Question

You publicly rejected a private takeover bid for Spire Healthcare Group this year – what drove the decision?

Answer

We are not against bids if they recognise the true value of individual businesses and pay a fair price. In fact, given our focus on attractively valued companies which are ignored or underappreciated by the market, takeover bids can greatly help speed up the recognition of the value of these businesses and give us a welcome opportunity to recycle the proceeds into new investment opportunities with greater upside potential. However, we are equally happy to take a public stance and vote against a bid if we think the offer undervalues the business, as we recently did with the bid for private hospital group Spire Healthcare. In that case, we felt the offer materially undervalued the business, and the premium failed to recognise the big improvements in clinical quality that the current management team has put in place. This puts them in a very strong position to now benefit from unprecedented waiting lists for elective surgeries post COVID-19 and higher NHS outsourcing to help clear backlogs.

Question

There is continuing focus on ESG matters. How do you think about ESG?

Answer

Corporate governance has always been a key consideration for me as contrarian investor. I look for unloved companies where things are changing for the better, and therefore how well a company is managed, whether management are likely to deliver on their plans, that they are appropriately incentivised and that their interests are aligned with shareholders. These are absolutely key to the investment thesis. The social and environmental aspects of ESG have been the focus of public attention recently, and these are also factors our analysts take into account in their overall assessment of the business. ESG has been a key focus area at Fidelity, and our research team is about to introduce an enhanced ESG framework which will provide us with more granularity and data points to help monitor the progress companies are making on key indicators.

When my Co-Portfolio Manager, Jonathan Winton, and I consider a new investment, it is important for us to have a good understanding of any potential ESG issues that could increase the downside risk on an investment. This will inform us as to whether we are prepared to invest in the company and also the valuation multiple we are looking to achieve from that investment. Rather than excluding companies based on prior ESG records, we consider whether the market's perception is correct or if actions have been taken to address issues that have the potential to lead to a re-rating of the shares. As shareholders, we engage and maintain constructive dialogue with companies' management and directors on ESG matters, make efficient use of proxy voting and shareholder resolutions, and collaborate in coalition with stakeholders for greater impact if required.

Question

What is your outlook for the next twelve months?

Answer

UK equities remain significantly undervalued compared to global markets, and reasonably valued in absolute terms on 13x 2022 earnings estimates. While the UK market has looked cheap over the past five years, the key differentiator in 2021 compared to prior years is that fundamentals on the ground look very good. This is evidenced by the very strong profit recovery from COVID-19 that we have seen in 2021, with many companies already

looking to produce profits in 2021 greater than in 2019. UK equities are well positioned not only to benefit from a recovery from the pandemic, but also from the lifting of the Brexit uncertainty which is starting to translate into companies finally committing to making new investments in the country, but also consumers (now with extra savings) more willing to buy big ticket items. The catch-up opportunity in terms of consumer spending after lockdown restrictions is significant and could be longer lasting than generally anticipated.

The removal of the Brexit uncertainty and attractive valuation levels explains the number of M&A bids which we are currently seeing. Private equity groups and other corporates are recognising the value on offer in the UK market. We are likely to see more bids if valuation discounts compared to overseas companies do not close.

Given this positive backdrop and the number of opportunities on offer, we have continued to take advantage of the Company's ability to gear. We used the market weakness seen in September to add to some of our most attractively valued holdings, maintaining the gearing level at the upper end of our historic range.

Based on 2022 and 2023 earnings estimates, the Company's portfolio trades on a 10 to 20% discount to the UK market, which as previously mentioned is itself attractively valued both in relative and absolute terms. We remain comfortable with how the Company's portfolio looks from a valuation, return on capital and risk perspective, and continue to see meaningful upside potential for our holdings.

Alex Wright

Portfolio Manager
5 November 2021

Spotlight on the Top 10 Holdings

as at 31 August 2021

(Based on Asset Exposure expressed as a percentage of Net Assets. Asset Exposure comprises the value of direct equity investments plus market exposure to derivative instruments.)

Industry Life Insurance	Legal & General Group <hr/> % of Net Assets 4.9% <hr/> <p>Legal & General Group ("L&G") is one of a number of life insurers with strong positions in pensions and retirement income held in the portfolio. The life insurance sector offers an attractive combination of cheap valuations, attractive dividend yields, strong demand/supply fundamentals and growing earnings. The pandemic has demonstrated the resilience, lower cyclicality and improved solvency of these businesses. L&G operates in (and in some cases dominates) markets that provide strong long term structural growth. The business segments are synergistic, providing a combination of both cost and revenue benefits throughout the business. L&G should retain a >25% market share within UK group annuities where the growth trajectory for the next decade is strong. It is also scaling up operations internationally most notably in the US where it has reached critical mass.</p>
Industry Life Insurance	Aviva <hr/> % of Net Assets 3.7% <hr/> <p>Aviva is a composite insurer that provides life and non-life and asset management services, and benefits from the same dynamics mentioned for L&G. Under the new CEO appointed last year, Aviva has been significantly restructured with disposals of non-core operations outside the UK, Ireland and Canada. These actions will strengthen the balance sheet, reduce market sensitivity and reduced leverage. Execution on capital management and a track record of operational delivery should allow the stock to re-rate over time. We believe there is significant scope for the dividend to be rebased, higher which should further sustain the re-rating.</p>
Industry Oil, Gas & Coal	Royal Dutch Shell <hr/> % of Net Assets 3.4% <hr/> <p>After a number of missteps which resulted in a sharp derating of the shares, Royal Dutch Shell has listened to us and other shareholders and recently put forward a more pragmatic cash surplus distribution and energy transition strategy. This reduces the risk of value destructive acquisitions and disposals and going all-in on a low carbon solution that may fail, and has led us to reconsider our decision to sell the stock last year. The company's revised strategy and attractive valuation, combined with an increase in demand and rising oil prices post the pandemic, offers good upside potential.</p>
Industry Industrial Support Services	Inchcape <hr/> % of Net Assets 3.3% <hr/> <p>Inchcape is a global retailer of new and used vehicles and is seeing a strong recovery in sales, reflecting pent up demand and market share gains, after facing several headwinds over the last few years. The recent restructuring has helped the company to achieve a leaner cost base. As the only global independent distributor, Inchcape is well positioned to grow its core business with car manufacturers looking to enter into new markets. It recently won a new partnership with China's Geely Auto to distribute its vehicles in the Chilean market, which could expand to further markets in Latin America, Asia and Africa.</p>
Industry Banks	AIB Group <hr/> % of Net Assets 2.8% <hr/> <p>AIB Group is an Irish lender and is well positioned to capitalise on the strong demand for new mortgages in Ireland, where housing shortages and Government incentives are resulting in a buoyant housing market. It has an improved competitive landscape, after two of the five banks operating in Ireland decided to exit, and this should lead to better returns for the remaining banks.</p>

Industry Retailers	Halfords Group	% of Net Assets 2.6%	Halfords Group is a motoring and cycling retailer that has coped well with the pandemic and associated restrictions and benefited from resulting trends, such as people looking for alternatives to travelling by public transport and buying items such as bikes for staycations and keeping fit. The company is looking to improve its service propositions (both for cars and bikes) which are highly margin accretive. The new management team has a strong focus on managing the cost base and the business is less vulnerable to on-line competition.
Industry Industrial Support Services	Mitie Group	% of Net Assets 2.6%	The turnaround under the new CEO of this UK outsourcer of facilities management, security and other professional services has taken longer than expected. However, Mitie Group has invested a huge amount in the business and it is in a much better position than previously. Unattractive businesses have been exited, costs have been saved and reinvested, and the balance sheet is much stronger. Its acquisition of rival Interserve's facilities management business makes a lot of sense and improves its competitive position and exposure to public sector work. Mitie is now in a position where organic growth is expected to return and margins and cash generation should improve considerably.
Industry Pharmaceuticals & Biotechnology	Sanofi	% of Net Assets 2.4%	Pharmaceuticals major Sanofi has a small but interesting late stage drug pipeline with five to six strong potential candidates. The share price does not reflect the upside potential and given the nature of the products, one or two winners could be significant enough to be game changing. While the markets are in a wait and watch mode, the share price does not currently reflect the potential upside. Key drug Dupixent remains the visible growth driver with significant sales potential in the medium term.
Industry Industrial Support Services	DCC	% of Net Assets 2.4%	A fuel-to-medical products conglomerate which has grown earnings consistently, largely driven by mergers and acquisitions, DCC has a high-quality business and a long track record of generating attractive returns. Armed with a healthy balance sheet, the company has a broad acquisition opportunity set in a highly fragmented market. DCC is a long term compounder that is focused on deploying capital in businesses that generate high return on capital, with strong cash conversion and low capital intensity.
Industry Industrial Support Services	Serco Group	% of Net Assets 2.4%	Serco Group is a well-managed public outsourcing company with systems and culture that encourage financial transparency, and a strong balance sheet. Serco has performed strongly since the onset of the pandemic, resulting in significant earnings upgrades and better long term growth prospects given its closer relationships with governments. Recent wins also suggest that the growth and margin outlook in the UK is much improved.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Portfolio Listing

as at 31 August 2021

The Asset Exposures shown below and on pages 13 to 15 measure exposure to market price movements as a result of owning shares and derivative instruments. The Fair Value is the actual value of the portfolio as reported in the Balance Sheet. Where a contract for difference ("CFD") is held, the Balance Sheet reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

	Asset Exposure £'000	% of Net Assets ¹	Fair Value £'000
Long Exposures - shares unless otherwise stated			
Legal & General Group (long CFD) - Life Insurance	46,589	4.9	345
Aviva (long CFD) - Life Insurance	34,970	3.7	(1,488)
Royal Dutch Shell - Oil, Gas and Coal	32,582	3.4	32,582
Inchcape - Industrial Support Services	31,671	3.3	31,671
AIB Group (long CFD) - Banks	26,707	2.8	1,193
Halfords Group - Retailers	25,185	2.6	25,185
Mitie Group - Industrial Support Services	24,727	2.6	24,727
Sanofi (shares and long CFD) - Pharmaceuticals & Biotechnology	23,099	2.4	5,050
DCC - Industrial Support Services	22,665	2.4	22,665
Serco Group - Industrial Support Services	22,600	2.4	22,600
Vistry Group - Household Goods & Home Construction	22,275	2.3	22,275
Roche Holdings - Pharmaceuticals & Biotechnology	21,802	2.3	21,802
John Laing Group - Investment Banking & Brokerage Services	20,739	2.2	20,739
Spire Healthcare Group - Health Care Providers	20,163	2.1	20,163
Hellenic Telecommunications Organisation - Telecommunications Service Providers	20,084	2.1	20,084
Meggitt - Aerospace & Defense	19,870	2.1	19,870
ContourGlobal - Electricity	19,130	2.0	19,130
Morgan Advanced Materials - Electronic & Electrical Equipment	18,244	1.9	18,244
NatWest Group (shares and long CFD) - Banks	18,111	1.9	1,671
Redde Northgate - Industrial Transportation	18,006	1.9	18,006
WPP - Media	17,719	1.9	17,719
Phoenix Group Holdings - Life Insurance	17,503	1.8	17,503
Imperial Brands - Tobacco	16,721	1.8	16,721
C&C Group - Beverages	15,434	1.6	15,434
Vodafone Group (long CFD) - Telecommunications Service Providers	14,903	1.6	164
LSL Property Services - Real Estate Investment & Services	14,708	1.5	14,708
Ericsson - Telecommunications Equipment	14,353	1.5	14,353
Kingfisher (long CFD) - Retailers	14,346	1.5	(684)
Redrow - Household Goods & Home Construction	14,085	1.5	14,085
Entain - Travel & Leisure	13,853	1.5	13,853
Ryanair Holdings (shares and long CFD) - Travel & Leisure	13,710	1.4	3,030
Glenveagh Properties - Household Goods & Home Construction	13,069	1.4	13,069
Pearson (long CFD) - Media	12,104	1.3	(167)
Essentra - Industrial Support Services	12,024	1.3	12,024

	Asset Exposure £'000	% of Net Assets ¹	Fair Value £'000
Just Group - Life Insurance	11,272	1.2	11,272
Cairn Homes - Household Goods & Home Construction	11,245	1.2	11,245
Barclays - Banks	11,154	1.2	11,154
Babcock International Group - Aerospace & Defense	9,528	1.0	9,528
Secure Trust Bank - Banks	9,424	1.0	9,424
Adler Group - Real Estate Investment & Services	9,281	1.0	9,281
Dixons Carphone - Retailers	9,121	1.0	9,121
Kaspi.kz - Banks	9,023	0.9	9,023
Premier Miton Group - Investment Banking & Brokerage Services	9,006	0.9	9,006
Ultra Electronics Holdings - Aerospace & Defense	9,001	0.9	9,001
Ten Entertainment Group - Travel & Leisure	8,825	0.9	8,825
Bank of Georgia Group - Banks	8,766	0.9	8,766
Vivo Energy - Retailers	8,664	0.9	8,664
SBM Offshore - Oil, Gas and Coal	8,577	0.9	8,577
Marks & Spencer Group - Retailers	8,488	0.9	8,488
Tyman - Construction & Materials	8,243	0.9	8,243
Indivior - Pharmaceuticals & Biotechnology	8,186	0.9	8,186
Fraser's Group (shares and long CFD) - Retailers	8,067	0.9	4,759
Origin Enterprises - Food Producers	7,412	0.8	7,412
Smart Metering Systems - Industrial Support Services	7,327	0.8	7,327
XPS Pensions Group - Investment Banking & Brokerage Services	6,949	0.7	6,949
Norcros - Construction & Materials	6,886	0.7	6,886
RHI Magnesita - Chemicals	6,832	0.7	6,832
Finsbury Food Group - Food Producers	6,816	0.7	6,816
Central Asia Metals (long CFD) - Industrial Metals & Mining	6,683	0.7	(26)
Studio Retail Group - Retailers	6,621	0.7	6,621
Sherborne Investors Guernsey - Investment Banking & Brokerage Services	6,567	0.7	6,567
Sage Group - Software & Computer Services	6,551	0.7	6,551
SThree - Industrial Support Services	6,535	0.7	6,535
Zegona Communications - Telecommunications Service Providers	6,478	0.7	6,478
H&T Group - Finance & Credit Services	6,432	0.7	6,432
Coats Group - General Industrials	6,028	0.6	6,028
M&C Saatchi - Media	5,774	0.6	5,774
Conduit Holdings - Non-life Insurance	5,727	0.6	5,727
Electra Private Equity - Closed End Investments	5,334	0.6	5,334
J D Wetherspoon - Travel & Leisure	5,050	0.5	5,050
Keller Group - Construction & Materials	4,885	0.5	4,885
Grafton Group - Industrial Support Services	4,849	0.5	4,849

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Portfolio Listing continued

	Asset Exposure £'000	% of Net Assets ¹	Fair Value £'000
Wilmington - Media	4,773	0.5	4,773
BW Energy - Oil, Gas and Coal	4,753	0.5	4,753
National Grid - Gas, Water & Multi-Utilities	4,668	0.5	4,668
Wentworth Resources (shares and long CFD) - Oil, Gas and Coal	4,660	0.5	4,011
Base Resources - Industrial Metals & Mining	4,533	0.5	4,533
Photo-Me International - Leisure Goods	4,499	0.5	4,499
Brickability Group - Construction & Materials	4,136	0.4	4,136
Arch Capital Group - Non-life Insurance	4,065	0.4	4,065
West African Resources - Precious Metals & Mining	4,027	0.4	4,027
Kosmos Energy - Oil, Gas and Coal	3,897	0.4	3,897
Gemfields Group (shares and long CFD) - Precious Metals & Mining	3,435	0.4	3,349
Perseus Mining - Precious Metals & Mining	3,406	0.4	3,406
RPS Group - Industrial Support Services	3,350	0.3	3,350
The Restaurant Group - Travel & Leisure	3,290	0.3	3,290
Standard Chartered - Banks	3,268	0.3	3,268
Forterra - Construction & Materials	3,132	0.3	3,132
TBC Bank Group - Banks	3,072	0.3	3,072
Energean - Oil, Gas and Coal	2,951	0.3	2,951
AfriTin Mining - Industrial Metals & Mining	2,870	0.3	2,870
Midwich Group - Industrial Support Services	2,702	0.3	2,702
Kin + Carta - Software & Computer Services	2,523	0.3	2,523
Shanta Gold - Precious Metals & Mining	2,269	0.2	2,269
Kenmare Resources - Industrial Metals & Mining	2,078	0.2	2,078
Close Brothers Group - Banks	2,077	0.2	2,077
Staffline Group - Industrial Support Services	2,038	0.2	2,038
Westgold Resources - Precious Metals & Mining	2,000	0.2	2,000
Bakkavor Group - Food Producers	1,894	0.2	1,894
Brooks MacDonald Group - Investment Banking & Brokerage Services	1,727	0.2	1,727
Kistos - Oil, Gas and Coal	1,713	0.2	1,713
Smiths News - Industrial Support Services	1,694	0.2	1,694
Tharisa - Industrial Metals & Mining	1,571	0.2	1,571
Jadestone Energy - Oil, Gas and Coal	1,461	0.1	1,461
Triam Investors 1 - Closed End Investments	1,362	0.1	1,362
John Wood Group - Oil, Gas and Coal	1,357	0.1	1,357
Permanent TSB Group Holdings (long CFD) - Banks	1,320	0.1	38
U & I Group - Real Estate Investment & Services	1,018	0.1	1,018
Worsley Investors - Closed End Investments	757	0.1	757
The Fulham Shore - Travel & Leisure	747	0.1	747
Atalaya Mining - Precious Metals & Mining	685	0.1	685

	Asset Exposure £'000	% of Net Assets ¹	Fair Value £'000
Marwyn Value Investors - Closed End Investments	685	0.1	685
McColls Retail Group - Personal Care, Drug & Grocery Stores	458	-	458
Rank Group - Travel & Leisure	284	-	284
TVC Holdings - Unlisted Investment	272	-	272
Stanley Gibbons Group - Retailers	141	-	141
Gross Asset Exposure² (116 holdings)	1,092,976	114.6	
Portfolio Fair Value³			885,517
Net current assets (excluding derivative assets and liabilities)			68,573
Shareholders' Funds			954,090

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

2 Gross Asset Exposure comprises market exposure to investments of £886,710,000 (per Note 11: Investments on page 65) plus market exposure to derivative instruments of £206,266,000 (per Note 12: Derivative Instruments on page 66).

3 Portfolio Fair Value comprises investments of £886,710,000 plus derivative assets of £1,968,000 less derivative liabilities of £3,161,000 (per the Balance Sheet on page 55).

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Distribution of the Portfolio

as at 31 August 2021

The table below and on page 17 details the Distribution of the Portfolio based on Asset Exposure which measures the exposure of the portfolio to market price movements as a result of owning shares and derivative instruments.

Shares and derivative instruments	UK %	Overseas %	2021 Asset Exposure ¹ %	Index ² %	2020 Asset Exposure ^{1,3} %
Financials					
Life Insurance	11.6	-	11.6	3.1	12.4
Banks	9.5	0.1	9.6	7.0	5.4
Investment Banking & Brokerage Services	4.7	-	4.7	3.2	7.3
Non-life Insurance	-	1.0	1.0	0.9	-
Closed End Investments	0.9	-	0.9	6.9	1.0
Finance & Credit Services	0.7	-	0.7	1.4	1.1
	27.4	1.1	28.5	22.5	27.2
Industrials					
Industrial Support Services	15.0	-	15.0	4.6	15.4
Aerospace & Defense	4.0	-	4.0	1.7	8.1
Construction & Materials	2.8	-	2.8	1.7	4.1
Electronic & Electrical Equipment	1.9	-	1.9	1.2	0.8
Industrial Transportation	1.9	-	1.9	1.3	1.0
General Industrials	0.6	-	0.6	2.0	-
Industrial Engineering	-	-	-	0.8	-
	26.2	-	26.2	13.3	29.4
Consumer Discretionary					
Retailers	8.5	-	8.5	2.2	6.2
Household Goods & Home Construction	6.4	-	6.4	1.7	3.5
Travel & Leisure	4.7	-	4.7	3.5	1.4
Media	4.3	-	4.3	3.1	3.5
Leisure Goods	0.5	-	0.5	0.2	0.5
Consumer Services	-	-	-	1.1	-
Automobile & Parts	-	-	-	0.1	-
Personal Goods	-	-	-	0.5	-
	24.4	-	24.4	12.4	15.1
Health Care					
Pharmaceuticals & Biotechnology	0.9	4.7	5.6	9.0	9.7
Health Care Providers	2.1	-	2.1	0.1	1.2
Medical Equipment & Services	-	-	-	0.6	-
	3.0	4.7	7.7	9.7	10.9
Energy					
Oil, Gas & Coal	5.0	1.4	6.4	7.2	3.6
	5.0	1.4	6.4	7.2	3.6

Shares and derivative instruments	UK %	Overseas %	2021 Asset Exposure ¹ %	Index ² %	2020 Asset Exposure ^{1,3} %
Telecommunications					
Telecommunications Service Providers	2.3	2.1	4.4	2.1	2.5
Telecommunications Equipment	1.5	-	1.5	0.1	1.6
	3.8	2.1	5.9	2.2	4.1
Consumer Staples					
Tobacco	1.8	-	1.8	3.1	3.7
Food Producers	1.7	-	1.7	0.6	1.5
Beverages	1.6	-	1.6	3.7	0.7
Personal Care, Drugs & Grocery Stores	-	-	-	7.5	0.2
	5.1	-	5.1	14.9	6.1
Basic Materials					
Industrial Metals & Mining	1.6	0.3	1.9	8.0	3.8
Precious Metals & Mining	0.7	1.0	1.7	0.4	3.6
Chemicals	0.7	-	0.7	1.0	1.0
	3.0	1.3	4.3	9.4	8.4
Real Estate					
Real Estate Investment & Services	1.6	1.0	2.6	0.6	4.6
Real Estate Investment Trusts	-	-	-	2.7	0.9
	1.6	1.0	2.6	3.3	5.5
Utilities					
Electricity	2.0	-	2.0	0.7	3.5
Gas, Water & Multi-Utilities	0.5	-	0.5	2.2	-
Waste & Disposal Services	-	-	-	0.1	-
	2.5	-	2.5	3.0	3.5
Technology					
Technology Hardware & Equipment	-	-	-	0.1	-
Software & Computer Services	1.0	-	1.0	2.0	0.2
	1.0	-	1.0	2.1	0.2
Total Asset Exposure	103.0	11.6	114.6	100.0	114.0
Total Asset Exposure - 2020	97.9	16.1			114.0

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

2 The FTSE All-Share Index which is the Company's Benchmark Index.

3 Reallocated in line with the adoption of the new Industry Classification Benchmark framework by FTSE Indexes.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Ten Year Record

as at 31 August 2021

As at 31 August	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Capital										
Shareholders' funds (£m)	954.1	579.5	698.7	725.0	673.5	578.3	537.3	519.2	478.5	338.6
NAV per ordinary share (p) ^{1,2}	304.79	199.81	252.99	271.98	254.63	217.94	201.61	192.29	176.79	124.54
Share price (p) ¹	308.50	181.60	251.50	276.00	246.50	196.25	197.50	180.20	168.00	105.40
Premium/(discount) to NAV (%) ²	1.2	(9.1)	(0.6)	1.5	(3.2)	(10.0)	(2.0)	(6.3)	(5.0)	(15.4)
Revenue										
Revenue return per ordinary share (p) ^{1,2}	7.22	4.81	8.65	5.70	5.33	4.15	3.39	3.10	3.40	2.65
Dividends per ordinary share (p) ¹	6.67	5.80	7.25 ³	5.00	4.60	3.70	3.35	3.30	3.25	2.60
Ongoing charges (costs of running the Company) (%) ²	0.76	0.98	0.97	1.04	1.06	1.10	1.10	1.12	1.21	1.24
Gearing²										
Gross gearing (%) ⁴	14.6	14.0	2.5	10.4	9.1	15.5	23.8	21.0	24.8	12.6
Net gearing (%) ⁵	14.6	14.0	2.5	6.6	0.9	7.9	9.4	6.4	14.0	(0.9)
Performance Total Returns										
NAV (%) ²	+56.2	-18.5	-4.9	+8.7	+19.1	+9.9	+7.3	+10.7	+44.8	+15.0
Share price (%) ²	+73.8	-25.4	-6.9	+14.0	+28.1	+1.1	+12.4	+9.2	+63.1	+9.2
Benchmark Index (%)	+26.9	-12.6	+0.4	+4.7	+14.3	+11.7	-2.3	+10.3	+18.9	+10.2

1 Figures prior to 2015 have been restated to reflect the five for one sub-division of ordinary shares which took place on 29 June 2015

2 Alternative Performance Measures.

3 Includes a special dividend of 1.50 pence per ordinary share.

4 Gross gearing is the total of: long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds.

5 Net gearing is the total of: long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' Funds.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Summary of Performance Charts

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Summary of Performance Charts continued

Attribution Analysis

Analysis of change in NAV total return for the year ended 31 August 2021		%
Impact of:		
Index		+27.0
Stock selection		+18.0
Gearing		+11.9
Share Issues and Repurchases		+0.2
Operational Costs		-1.0
Cash		+0.1
NAV total return for the year ended 31 August 2021		+56.2

Sector contributors and detractors as at 31 August 2021 (in absolute terms)

Top 5 Sector Contributors	%	Bottom 5 Sector Detractors	%
Industrial Support Services	+6.79	General Industrials	+0.10
Banks	+5.48	Gas, Water & Multi-Utilities	+0.01
Retailers	+5.43	Personal Care, Drugs & Grocery Stores	+0.01
Life Insurance	+5.13	Electricity	+0.01
Household Goods & Home Construction	+3.57	Telecommunications Equipment	-0.01

Stock contributors and detractors as at 31 August 2021 (in absolute terms)

Top 5 Stock Contributors	%	Bottom 5 Stock Detractors	%
Aviva	+2.46	BP	-0.26
Halfords Group	+2.43	Adler Group	-0.22
Mitie Group	+2.26	Viatris	-0.14
Meggitt	+2.16	Serco Group	-0.11
Spire Healthcare Group	+2.04	Shanta Gold	-0.09

Source: Fidelity.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9 form part of the Strategic Report.

Business and Status

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

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

Objective

The Company's objective is to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market.

Strategy

In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of special situation investments, consisting primarily of UK listed companies. It has the benefit of investing up to 20% of the portfolio in listed companies on overseas exchanges in order to enhance Shareholder returns. As an investment company, it is able to gear the portfolio and the Board takes the view that long term returns for Shareholders can be enhanced by using gearing in a carefully considered and monitored way.

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

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 August 2021.

Investment Management Philosophy, Style and Focus

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity's analysts evaluate companies, meet their management and speak to suppliers, competitors and customers in order to build up a picture of the true state of a company's fundamentals. This first-hand research is fundamental to Fidelity's ability to form a view of a company's future profitability and ultimately for the Portfolio Manager to decide if he considers it an attractive investment for

our Shareholders. The Portfolio Manager works closely with the Fidelity analyst team and also has access to a wide range of research produced by third parties.

Investment Policy

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities and instruments issued by or related primarily to UK companies.

The Company will have a blend of investments in larger, medium and smaller sized companies and be guided by a contrarian philosophy.

The Portfolio Manager has a contrarian style which focuses on significant valuation anomalies in stocks which are out of favour with other investors, yet show potential for change. The Portfolio Manager believes these opportunities exist across the market capitalisation spectrum, and the investment approach is flexible, with positions in large, medium and smaller sized companies. The proportions in each size category may vary over time, as investment opportunities are selected on a bottom up basis.

Investments typically have the following characteristics:

- **Unrecognised potential for positive change:** The Portfolio Manager wants to see evidence of the company embarking upon a period of positive change. Once this change begins to be recognised by the market, there is potential for substantial upside.
- **Limited downside risk:** The Portfolio Manager invests in companies where market expectations are low. They will have some asset or characteristic that should prevent significant falls in the share price.

The Benchmark of the Company against which performance is measured is the FTSE All-Share Index.

The Company may invest directly in the shares of companies or indirectly through equity-related instruments (such as derivative contracts, warrants or convertible bonds) and in debt instruments. The Company may also invest in unquoted securities, subject to the investment restrictions set out on page 23.

Derivatives

The Company may utilise derivative instruments, including index-linked notes, CFDs, covered options and other equity-related derivative instruments as a tool to meet the investment objective of the Company.

Derivatives usage will focus on, but not be limited to the following investment strategies:

- As an alternative form of gearing to bank loans or bonds, the Company will purchase long CFDs that achieve an equivalent effect to bank gearing but normally at lower financing costs.
- To hedge equity market risks where the Portfolio Manager considers that suitable protection can be purchased to limit the downside of a falling market at a reasonable cost; and

- By taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

The Company will not undertake any naked shorts.

Gearing

The Company may use gearing to enhance long term capital growth. The maximum level of gross gearing is 40%. Within this limit the Portfolio Manager has the discretion to use a range of instruments for gearing, such as debt and CFDs, depending on the relative cost and availability of those instruments. It is the current intention of the Board that, in normal market circumstances, the Portfolio Manager will maintain net gearing in the range of 0% to 25%. Both gross and net gearing are defined in the Glossary of Terms on page 89. The level of gearing is considered by the Board at each of its meetings.

Investment Restrictions

The Company will invest and manage its assets with an objective of spreading risk through the following investment restrictions:

- No single investment (excluding cash and cash equivalents), nor the aggregate investment in any one company, shall represent more than 10% of the Company's portfolio, measured as at the time of investment.
- No more than 20% of the portfolio will be invested in companies listed on overseas exchanges.
- The Company will not invest more than 5% of its gross assets in unquoted securities.
- The Company will not invest more than 15% of its gross assets at the time of investment in listed investment companies (including listed investment trusts), including no more than 10% of its gross assets at the time of investment in funds that do not have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

Dividend Policy

The portfolio is managed actively in pursuit of capital growth. Hence, in any one year the dividend income received from investments will vary according to which stocks are owned during the reporting period and so will the dividend that will be paid. In order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

Performance, Results and Dividends

The Company's performance for the year ended 31 August 2021 and a summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record, the Summary of Performance Charts and the Attribution Analysis are set out on pages 12 to 21.

The Company's results for the year ended 31 August 2021 are set out in the Income Statement on page 54. The revenue return was 7.22 pence and the capital return was 102.74 pence, giving a total return of 109.96 pence per ordinary share.

The Board recommends that a final dividend of 4.50 pence per ordinary share be paid on 12 January 2022 to Shareholders who appear on the register as at the close of business on 3 December 2021 (ex-dividend date 2 December 2021). This is in addition to the interim dividend of 2.17 pence per ordinary share paid to Shareholders on 23 June 2021.

Key Performance Indicators

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

Shareholder Total Returns

Share price total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC ¹	+73.8	+20.8	+76.5
Short term savings rate ²	+0.1	+1.5	+2.4
Benchmark Index ³	+26.9	+11.4	+33.3
Peer group ⁴	+56.5	+32.0	+85.8

NAV Total Returns

Net asset value total return for the year ended 31 August	1 year (%)	3 years (%)	5 years (%)
Fidelity Special Values PLC ¹	+56.2	+21.0	+56.7
Benchmark Index ³	+26.9	+11.4	+33.3
Peer group ⁴	+45.7	+26.8	+72.6

Premium/(Discount)

Premium/(Discount) as at 31 August	2021 (%)	2018 (%)	2016 (%)
Fidelity Special Values PLC ¹	1.2	1.5	(10.0)
Peer group ⁴	(5.2)	(7.4)	(10.7)

Ongoing charges

Ongoing charges for the year ended 31 August ⁵	2021 (%)	2018 (%)	2016 (%)
Fidelity Special Values PLC ¹	0.76	1.04	1.10

- Alternative Performance Measures.
 - UK Interbank 3 month bid rate (banks or building societies).
 - FTSE All-Share Index.
 - AIC UK All Companies sector.
 - Defined in the Glossary of Terms on page 89.
- Sources: Fidelity and Datastream.

Strategic Report continued

In addition to the KPIs set out on the previous page, the Board also monitors the factors contributing to investment results, as set out in the Attribution Analysis on page 21. Long term performance is also monitored and is set out in the Ten Year Record and the Summary of Performance Charts on pages 18 to 20.

Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Audit Committee continues to identify any

new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

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

The Board considers the following as the principal risks faced by the Company.

EXTERNAL RISKS

Principal Risks	Description and Risk Mitigation
Market, Economic and Political Risks	<p>The Company's portfolio is mainly made up of listed securities. The principal risks are therefore market related such as market downturn, interest rate movements and deflation/inflation. The Company may also be impacted by concerns over global economic growth and major political events affecting the UK market and economy and the consequences of this.</p> <p>COVID-19 continues to be a global pandemic with severe market and economic impacts. 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 on pages 2 to 9. These risks are somewhat mitigated by the Company's investment trust structure which means no forced sales need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.</p> <p>The Board reviews market, economic and political risks and legislative changes at each Board meeting.</p> <p>Risks to which the Company is exposed to in the market risk category are included in Note 18 to the Financial Statements on pages 68 to 74 together with summaries of the policies for managing these risks.</p>
Cybercrime Risk	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security teams and has resulted in the implementation of new tools and processes, including improvements to existing ones. Fidelity has established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance.</p> <p>Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and denial of services attacks. The Manager has a dedicated detect and respond resource specifically to monitor the cyber threats associated with COVID-19. The Company's third party service providers also have similar measures in place.</p>

Principal Risks	Description and Risk Mitigation
Environmental, Social and Governance ("ESG") Risk	<p>There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate control. Fidelity International has embedded ESG factors in its investment decision making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities based on sector-specific key performance indicators across 99 individual and unique sub-sectors. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor developments in this area and reviews the positioning of the portfolio considering ESG factors.</p> <p>Further detail on ESG considerations in the investment process and sustainability investment is on pages 29 to 31.</p>
Regulatory Risk	<p>The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active engagement with regulators and trade bodies by the Manager.</p>
Key Person Risk	<p>There is a risk that the Manager has an inadequate succession plan for key individuals. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans, particularly for portfolio managers.</p>
Discount Control Risk	<p>Due to the nature of investment companies, the price of the Company's shares and its premium or discount to NAV are factors which are not totally within the Company's 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 demand for shares can be influenced through good performance and an active investor relations program.</p> <p>The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.</p>
Competition Risk	<p>Threats facing the Company are loss of Shareholders if the demand for investment trusts declines, and the demand for passive funds and active ETFs continue to increase. The Board reviews the strategic direction of the Company on an ongoing basis to ensure that it offers a relevant product to Shareholders. It also regularly reviews the Shareholder profile of the Company with the Company's broker.</p>

Strategic Report continued

INTERNAL RISKS

Principal Risks	Description and Risk Mitigation
Investment Management Risk	<p>The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's Benchmark Index and its competitors and also considers the outlook for the market with the Portfolio Manager at each Board meeting. The emphasis is on long term investment performance as there is a risk for the Company of volatility of performance in the shorter term.</p> <p>Derivative instruments are used to protect and enhance 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. Further details on derivative instruments risk is included in Note 18 to the Financial Statements on pages 68 to 74.</p> <p>The Company gears through the use of long CFDs. The principal risk is that the Portfolio Manager fails to use gearing effectively, resulting in a failure to outperform in a rising market or underperform in a falling market. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.</p>
Pandemic Risk	<p>With the pandemic continuing to evolve and variants of COVID-19 appearing, it is evident that although COVID-19 is being tackled by the arrival of vaccines, risks remain. The roll-out of vaccines globally is slow and the effectiveness against the variants is uncertain. There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager follows Government recommendations and guidance and carries on reviewing its business continuity plans and operational resilience strategies on an ongoing basis. The Manager continues to take all reasonable steps in meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. PricewaterhouseCoopers LLP has also confirmed in the AAF Internal Controls report issued to Fidelity International that there have not been any significant changes to Fidelity International's control environment as a result of COVID-19. Further to this, the Manager has provided the Board with assurance that the Company has appropriate business continuity plans in place and the provision of services has continued to be supplied without interruption during the pandemic.</p> <p>Investment team key activities, including portfolio managers, analysts and trading/support functions, are continuing to perform well despite the operational challenges posed when working from home or when split team arrangements were in place.</p> <p>The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.</p>
Operational Risks – Service Providers	<p>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 program 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. Risks associated with these services are generally rated as low, although the financial consequences could be serious, including reputational damage to the Company.</p>

Continuation Vote

A continuation vote takes place every three years. There is a risk that Shareholders do not vote in favour of continuation during periods when performance of the Company's NAV and share price is poor. At the AGM held on 12 December 2019, 99.90% of Shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2022.

Viability Statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. 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 level of gearing;
- The Company's NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company, as set out above, and their potential impact;
- The expected future demand for the Company's shares;
- The Company's share price premium/discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been strong over the five year reporting period to 31 August 2021, with a NAV total return of 56.7% and a share price total return of 76.5% compared to a Benchmark Index total return of 33.3%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The 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 Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 33.

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed Investment Trust the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager, but other professional service providers support the Company by providing administration, custodial, banking, depository and audit services. The Board considers the Company's key stakeholders to be the existing and potential Shareholders, the external appointed Manager (Fidelity), and other third party professional service providers. The Board considers that the interests of these stakeholders are aligned with the Company's objective of delivering long term capital growth to investors, in line with the Company's stated investment objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on page 23.

The Board places great importance on communication with Shareholders. The Annual General Meeting provides the key forum for the Board and Portfolio Manager to present to the Shareholders on the Company's performance and future plans and, in normal circumstances, the Board encourages all Shareholders to attend, and raise questions and concerns. The Chairman and other Board members are available to meet Shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Company's registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary in writing at the same address or by email at investmenttrusts@fil.com. The Portfolio Manager meets with major Shareholders, potential investors, stock market analysts, journalists and other commentators throughout the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service

Strategic Report continued

levels and strengthen relationships with service providers, with a view to ensuring Shareholders' interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance ("ESG") issues aligns with the objective to deliver long term capital growth, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out in detail on pages 29 to 31.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Directors during the reporting year, and up to the date of this report, have included:

- the decision to pay an interim dividend of 2.17 pence per share and a final dividend of 4.50 pence per share (a total of 6.67 pence per share), to maintain the 12 year track record of increasing dividends, while retaining funds for reinvestment, consistent with the objective of long term capital growth;
- the raising of over £64.8 million from share issuances, at a premium to net asset value, in order to satisfy investor demand over the year, also serving the interests of current Shareholders by reducing costs per share and helping to further improve liquidity;
- the decision to hold a General Meeting on 15 September 2021 in order to renew the Shareholder authority to issue new shares on a non pre-emptive basis. The reason for this was because the rate of issuance of shares from the authority granted at the AGM on 14 December 2020 was such that were it to continue, the Company was likely to run out of shares granted for issue under that authority. As a result of the resolutions approved at the General Meeting on 15 September 2021, the Company was given the authority to issue a further 31,167,880 shares;
- authorising the repurchase of 1,025,473 ordinary shares when the Company's discount widened into double digits during September and early October 2020, in line with the Board's long term intention that the share price should trade at a level close to the underlying net asset value of the shares, so that Shareholders are seeing the full benefit of the Company's investments; and
- agreeing a reduction in the management fee with effect from 1 January 2021, thus providing cost savings to the Company and reducing the Ongoing Charges to help the Company remain competitive. Details of the new fee arrangement can be found in the Chairman's Statement on page 3.

Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender. As at 31 August

2021, there were two female and three male Directors on the Board.

The Board's composition exceeds the target of 33% of women on FTSE 350 Boards set by the Hampton-Alexander Review.

Environmental, Social and Governance ("ESG") in the Investment Process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an important input into the assessment of the value of its investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. The Fidelity group of companies (including the Manager and Investment Manager) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at www.fidelity.co.uk/responsible-investing. Further information on Fidelity International's approach to ESG in the investment process and sustainable investing can be found on pages 29 to 31 and are part of this Strategic Report.

Socially Responsible Investment

The Manager's primary objective is to produce superior financial returns for the Company's Shareholders. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns.

Corporate Engagement

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

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, the Company's own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

Future Developments

Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and positions are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 9.

By Order of the Board

FIL Investments International

Secretary

5 November 2021

ESG in the Investment Process

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

ESG integration at Fidelity is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities, based on sector specific key performance indicators across 99 individual and unique sub-sectors. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions.

Fidelity's approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research
- Company engagement
- Active ownership
- Collaboration within the investment industry

Although Fidelity's analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invests, it also has a dedicated Sustainable Investing Team working closely with the investment teams, responsible for consolidating Fidelity's approach to stewardship, engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team have a key role in assisting the investment teams with ESG integration which includes:

- Implementing Fidelity's proxy voting guidelines.
- Engagement with investee companies on ESG issues including attending company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

Fidelity's investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and often visit the companies in person to develop a view of

every company in which Fidelity invests and ESG factors are embedded in this research process.

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

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

Fidelity operates analyst training and development programmes which include modules on ESG themes, topics and strategies and attendance at external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

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

The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

ESG and Sustainable Investing at Fidelity International

Board of Directors

Andy Irvine

Chairman (since 5 July 2016)
Appointed 15 April 2010

☒ M ☐ N

Andy Irvine is a Non-Executive Director of BlackRock North American Income Trust plc. He is a past Chairman of Montanaro European Smaller Companies PLC and of Jones Lang La Salle Scotland and has over 35 years' experience in commercial property development and investment. He is also a past Non-Executive Director of Securities Trust of Scotland PLC, a past Chairman of Celtic Rugby Limited, a past Chairman of the British and Irish Lions Limited and a past President of the Scottish Rugby Union.

Claire Boyle

Chairman of the Audit Committee
(since 12 December 2019)
Appointed 24 June 2019

☒ A ☐ M ☐ N

Claire Boyle is a Non-Executive Director and Chair of the Audit Committee of Aberdeen Japan Investment Trust PLC. She is also a Non-Executive Director of The Monks Investment Trust PLC. She was a Partner at Oxburgh Partners LLP with responsibility for the European Equity Hedge Fund and, prior to that, a European Equity Fund Manager at American Express Asset Management. She started her investment career with Robert Fleming Investment Management. She is a Fellow of the Institute of Chartered Accountants, having worked in fraud investigations at Coopers & Lybrand.

Dean Buckley

Senior Independent Director
(since 12 December 2019)
Appointed 3 November 2015

☒ A ☐ M ☐ N

Dean Buckley is a Non-Executive Director of Alliance Trust PLC and Baillie Gifford & Co Limited. He is Chairman of Smith & Williamson Fund Administration Limited. He is also Senior Independent Director, Chairman of the Audit Committee and the Remuneration Committee of JPMorgan Asia Growth & Income plc. He was previously a Non-Executive Director of Saunderson House Ltd and Chief Executive Officer at Scottish Widows Investment Partnership. Prior to this, he held several positions at HSBC Bank plc, including Chief Executive Officer for HSBC Asset Management UK and Middle East and Chief Investment Officer for HSBC Asset Management, European equities, and held a number of senior Fund Manager positions at Prudential Portfolio Managers. He is a Fellow of the Institute of Actuaries.

Nigel Foster

Appointed 1 September 2015

☒ A ☐ M ☐ N

Nigel Foster has over 40 years' experience in the investment management industry. Prior to joining the Board, he was a Managing Director at BlackRock where he headed all market facing activities, including trading and capital markets for the EMEA region. He was also Global Head of Derivatives at BlackRock and predecessor firms for 27 years. He has led a number of prominent financial rescues and is the author of "The Derivatives Game", a book that traces the story of derivatives from ancient times to the present day.

Alison McGregor

Appointed 1 January 2020

☒ A ☐ M ☐ N

Alison McGregor is Chair of The Malcolm Group. She is a Non-Executive Director of the Confederation of British Industries, Scottish Power Energy Network Holdings and Beatson Cancer Charity. She is Co-Chair of the Scottish Apprenticeship Advisory Board. In 2017, she was awarded the Scotland Corporate Leader of the Year Award and in 2018, the Women in Banking and Finance UK award for Achievement. She was the CEO of HSBC Scotland from 2014 to 2018, the Chair of CBI Scotland and a Non-Executive Director of Scottish Enterprise.

All Directors are Non-Executive Directors and all are independent.

Committee membership key

A Audit M Management Engagement N Nomination ☐ Committee Chair

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 August 2021.

The Company was incorporated in England and Wales as a public limited company on 27 September 1994 under the name of Fidelity Special Values PLC with the registered number 2972628 and commenced business as an investment trust on 17 November 1994.

MANAGEMENT COMPANY

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

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

FIL Limited has no beneficial interest in the shares of the Company (2020: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 40.

Management Fee

The Company adopted a new fee arrangement with effect from 1 January 2021. The previous tiered fee arrangement of 0.85% on the first £700 million of net assets reducing to 0.75% of net assets in excess of £700 million was replaced by a single fee of 0.60% of net assets. At the same time, the fixed annual fee of £100,000 for services other than portfolio management was removed.

Fees for the reporting year were £5,098,000 (2020: £5,627,000) and are disclosed in Note 5 on page 62.

The Board

All Directors served on the Board throughout the year ended 31 August 2021 with the exception of Nicky McCabe who stepped down at the conclusion of the AGM on 14 December 2020. A brief description of all serving Directors as at the date of this Annual Report is shown on page 32 and indicates their qualifications for Board membership.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

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

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has therefore concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 30 November 2022 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Board's assessment of the ongoing risks from COVID-19 as set out in the Pandemic Risk in the Strategic Report on page 26. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 26 and 27.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 14 December 2021.

Disclosure of Information to the Company's Auditor

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

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

Articles of Association

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

A special resolution to alter the Company's Articles of Association is being proposed at this year's AGM on 14 December 2021. Further details of the proposed changes are on pages 36 and 37.

Corporate Governance

The Corporate Governance Statement on pages 38 to 41 forms part of this report.

Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Group as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 6 on page 62.

Directors' Report continued

Share Capital

The Company's issued share capital comprises ordinary shares of 5 pence each and are fully listed on the London Stock Exchange. As at 31 August 2021, the share capital of the Company was 313,028,920 shares (2020: 290,029,480). No shares were held in Treasury (2020: nil).

Premium/Discount Management: Enhancing Shareholder Value

The Board actively manages the Company's level of premium/discount. If the Company is trading at a discount, it seeks to maintain the discount in single digits in normal market conditions. The Board seeks authority from Shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of Shareholders at the time.

Share Issues

The Company issued a total of 24,024,913 ordinary shares from Treasury and its block listing facilities during the year to 31 August 2021 (2020: 13,860,000 issued from its block listing facility). Since the year end and as at the date of this Annual Report, a further 500,000 ordinary shares have been issued from the current block listing.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 14 December 2021 and resolutions to renew these authorities will be put to Shareholders at this AGM.

Share Repurchases

The Company repurchased 1,025,473 ordinary shares into Treasury during the year to 31 August 2021 (2020: nil). Since the year end and as at the date of this Annual Report, no further shares have been repurchased into Treasury or for cancellation.

The authority to repurchase shares expires at the AGM on 14 December 2021 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to Shareholders at the forthcoming AGM.

Substantial Share Interests

As at 31 August 2021 and 30 September 2021, notification had been received that the Shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	31 August 2021	30 September 2021
Fidelity Platform Investors	20.94	20.84
Hargreaves Lansdown	7.30	7.18
Interactive Investor	6.98	6.97
Rathbones	6.89	6.87
Brewin Dolphin	4.82	4.85
Smith & Williamson Wealth Management	4.77	4.75
Investec Wealth & Investment	4.33	4.24
Tilney	4.01	4.01

An analysis of Shareholders as at 31 August 2021 is detailed in the table below.

Shareholders as at 31 August 2021	% of voting share capital
Private Shareholders ¹	89.22
Institutions	8.21
Insurance	1.28
Pension	1.00
Other	0.29

¹ Includes Fidelity Platform Investors (20.94%).

Additional Information Required in the Directors' Report

Information on proposed dividends, financial instruments and disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 22 to 28.

Responsibility as an Institutional Shareholder

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

Relations with Shareholders

Communication with Shareholders is given a high priority by the Board and it liaises with the Manager and the Company's Broker who are in regular contact with the Company's major institutional investors to canvass Shareholder opinion and to

communicate its views to Shareholders. All Directors are made aware of any Shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Board Directors, are available to meet with Shareholders to discuss strategy and governance. The Board regularly monitors the Shareholder profile of the Company and receives regular reports from the Manager on meetings attended with Shareholders and any comments raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and Shareholders. If any Shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or in writing at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages Shareholders to attend the AGM on 14 December 2021 at which they will have the opportunity to meet and address questions to the Chairman, other members of the Board, the Portfolio Manager and representatives of the Manager. However, due to the ongoing pandemic, Shareholders are asked to follow Government guidance that may be in place at the time of the AGM. For those Shareholders who would prefer not to travel or attend in person, for the first time this year we will live-stream the formal business and presentations of the meeting online. A registration link may be found on the company's website www.fidelity.co.uk/specialvalues.

Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

It will not be possible for those viewing online to participate in voting on the proposed resolutions this year, pending approval of the changes to the Articles of Association as set out on pages 36 and 37.

The Notice of Meeting on pages 79 to 82 sets out the business of the AGM and the special business resolutions are explained more fully on this page and pages 36 and 37. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the Meeting and related papers are sent to Shareholders at least 20 working days before the Meeting.

Voting Rights in the Company's Shares

Every person entitled to vote on a show of hands has one vote. On a poll every Shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelity.co.uk/specialvalues.

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

The AGM of the Company will be held at 11.30 am on Tuesday, 14 December 2021 at Fidelity's offices at **4 Cannon Street, London EC4M 5AB**. As the pandemic continues, appropriate social distancing and hygiene measures will be in place and guests will not be permitted. It is unlikely that we will be able to offer the usual catering service. The AGM will be live-streamed and a registration link may be found on the Company's website at www.fidelity.co.uk/specialvalues.

Alex Wright, the Portfolio Manager, will be making a presentation to Shareholders, highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that Shareholders may have. 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.

Although we intend to resume our normal format for the AGM this year, if anything changes due to the ongoing pandemic, we will advise investors via the Company's website at www.fidelity.co.uk/specialvalues about alternative arrangements for the Portfolio Manager's presentation. The formal business of the meeting will still be carried out in person on 14 December 2021.

We urge all Shareholders to vote and make use of the proxy form provided. If you hold shares through the Fidelity Platform, other platforms 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 in order to lodge your voting instructions.

Fidelity Platform Investors

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

Proxy Voting

Link Group, the Registrar, introduced a paperless proxy voting process in 2018. However, in view of the ongoing public health impact of COVID-19 and your well-being as Shareholders, we are sending a paper Proxy Form to all Shareholders who hold shares on the main share register. This will assist Shareholders to vote in advance of the meeting should they decide not to attend in person.

Directors' Report continued

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

At the AGM on 14 December 2021, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 79 and 80, including the items of special business summarised below.

Authority to Allot Shares

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,567,644. If passed, this resolution will enable the Directors to allot a maximum of 31,352,880 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury shares) as at 5 November 2021 and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of Shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-Emption Rights

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific Shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,567,644 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 5 November 2021 and equivalent to 31,352,880 ordinary shares).

Authority to Repurchase Shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (46,997,985) of ordinary shares in issue (excluding Treasury shares) on 5 November 2021 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Proposed Changes to the Company's Articles of Association

Resolution 14 is a special resolution regarding the adoption of New Articles of Association ("**New Articles**") by the Company.

Summarised below are the principal changes proposed to be introduced through the adoption of New Articles by the Company. A copy of the proposed New Articles showing all the changes as against the current Articles of Association is available for

inspection at www.fidelity.co.uk/specialvalues, together with a copy of the current Articles of Association and a 'clean' copy of the New Articles (which do not highlight the amendments), from the date of this report until the end of the AGM (and at the AGM itself for the duration of the meeting and for at least 15 minutes prior to the meeting). The documents are also available for inspection at 4 Cannon Street, London EC4M 5AB until the close of the AGM. However, given the ongoing COVID-19 pandemic and potential restrictions, we would ask you to inspect the documents through the website rather than in person and to contact us by email at investmenttrusts@fil.com should you wish to inspect any documents in person.

Hybrid General Meetings

The Company will continue to follow guidelines and consider the safety of those attending Shareholder meetings during the pandemic, but also wants to provide the very best experience for Shareholders in the longer term and be mindful of potential future restrictions.

It is not proposed to pursue fully "virtual" meetings, where there is no physical location that Shareholders can attend and attendance is only through electronic means unless there are Government restrictions in place.

The Board value the opportunity to meet and exchange views with Shareholders and a physical meeting will remain the preferred format as long as Government guidance permits it, but the Board is also keen to provide additional virtual facilities in the future for those Shareholders who may not wish to or are unable to attend AGMs in person.

It is therefore proposed to provide for the ability to hold "hybrid" meetings, where there is a primary physical location but also the facility for Shareholders who wish to do so to attend through electronic means.

The New Articles therefore permit (but do not require) the Company to hold hybrid general meetings, and add further flexibility to hold meetings across more than one physical location, but there would always be a primary physical location from which the chair of the meeting would conduct proceedings. This will facilitate wider attendance by Shareholders, but with the continued option for Shareholders to attend a physical meeting in person should they wish to do so.

Various consequential and related changes have been made throughout the New Articles to reflect and facilitate these amendments.

Retirement of Directors at Annual General Meetings

In line with best practice and the UK Corporate Governance Code, for a number of years all Directors have offered themselves for re-election at every AGM (other than those very recently appointed or who retire at the AGM).

At present, this is not a requirement under the Company's current Articles, which provide "retirement by rotation" provisions under which Directors appointed since the previous AGM, who have held office for the previous two AGMs without being re-elected, or who have held office for nine or more years are required to retire.

The New Articles have been simplified to provide that Directors retire at each AGM, but may offer themselves for re-election.

Directors' Fees

The Board considers it is appropriate to increase the limit on Directors' fees (Fee Cap), which was set when the Company launched in November 1994 at £200,000 in aggregate per annum to a proposed new Fee Cap of £250,000 in aggregate per annum. The Board considers that the increase and change to the aggregate Fee Cap will provide sufficient head-room to enable the Board to execute any succession plans for the future. The Board is satisfied that this new Fee Cap is in-keeping with current market practice.

Regulatory restrictions and information requirements

Various international requirements for the exchange of information in relation to tax reporting have been brought in over recent years which the Company is required to comply with, such as pursuant to the U.S. Foreign Account Tax Compliance Act of 2010 (FATCA) and the OECD common reporting standard. For example, under the UK International Tax Compliance Regulations 2015, investment trust companies are required to provide information to HMRC on certain investors who purchase their shares and to provide information annually to the local tax authority on the tax residency of certain non-UK based Shareholders.

The New Articles therefore include provisions to give the ability to the Company to require Shareholders to co-operate in respect of the exchange of information to allow the Company to comply with its obligations and avoid related penalties being imposed upon it (including potentially having to pay withholding tax to the US Internal Revenue Service). The New Articles also update and clarify related provisions which provide for potentially onerous requirements affecting the Company as a result of international laws. In each case, the Company has powers to seek information and to procure or prevent the transfer of shares in order to avoid the impact of such penalties and/or onerous obligations being imposed upon it.

Administrative updates

These include a specific provision for the certification of documents on behalf of the Company, updating provisions in relation to summary financial statements (now superseded by the ability to send strategic reports and supplementary material) and various minor clarificatory amendments.

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

By Order of the Board

FIL Investments International

Secretary

5 November 2021

Corporate Governance Statement

"Corporate governance" is the process by which the board of directors of a company look after shareholders' interests and by which it endeavours to enhance those interests (often referred to as "shareholder value"). Shareholders hold the Directors responsible for the stewardship of a company's affairs, delegating authority to the Directors to manage the Company on their behalf and holding them accountable for its performance.

This report, which forms part of the Directors' Report, explains how the Directors of Fidelity Special Values PLC (the "Company") deal with that responsibility, authority and accountability.

Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This statement, together with the Statement of Directors' Responsibilities on page 45, set out how the principles have been applied.

The AIC Code can be found on the AIC's website at www.theaic.co.uk and the UK Code on the FRC's website at www.frc.org.uk.

Statement of Compliance

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

The Corporate Governance of an Investment Trust Company

The corporate governance of most investment companies is different from most other commercial companies in one important respect: they do not employ their own people as management but instead the services of a fund management company. This affects the way investment companies are governed but not the purpose of their governance. Given that the Manager's business is not dedicated solely to the interests of investment companies and their Shareholders, investment company boards must be largely independent of management. However, the Board must have knowledge and experience of both fund management and investment company management. The Company was established and is managed and promoted by its Manager, which is therefore one of the main reasons some Shareholders choose to invest in the Company's shares. It follows that it is an important aspect of the corporate governance of the Company that its Manager should be party to the responsibility, authority and accountability to those investing in their management.

The Corporate Governance policies and Modus Operandi of Fidelity Special Values PLC

The corporate governance of any investment company, while following the guidelines of the UK Code and AIC Code, will vary in certain respects depending on its own circumstances. The Board of the Company has considered its own circumstances and determined its own corporate governance policies and modus operandi.

In this section we have outlined the corporate governance policies and modus operandi through the following three aspects of corporate governance: Responsibility, Authority and Accountability. It is, first of all, important that Shareholders have confidence in the Board of Directors, whom they hold responsible and accountable for the Company's affairs.

In determining the guidelines for the composition of the Board, the Directors believe that there should be a clear majority of Board members (including the Chairman), who are independent of management, and that within the Board there is understanding and experience of investment management, investment company management, the investment objective of the Company, marketing, general business experience and finally of Fidelity's investment philosophy and its operations.

The Directors recognise that any individual employed by or materially associated with the Manager cannot be regarded as independent. All Directors are independent and considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Details of the Directors' current business associations are set out on page 32. In addition, all Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Board follows a procedure of notification of any interests that may arise as part of considering any potential conflicts.

All of the Directors are Non-Executive. Each Director's individual independence, including that of the Chairman, has been assessed and confirmed, taking into consideration:

- integrity, commitment, intelligent challenge;
- independence of mind and character;
- experience and knowledge of investment trusts, of the investment business generally and of Fidelity;
- financial literacy;
- conflicts of interest; and
- performance as a Director.

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Andy Irvine	5/5	n/a	1/1	1/1
Claire Boyle	5/5	3/3	1/1	1/1
Dean Buckley ¹	4/5	2/3	0/1	0/1
Nigel Foster	5/5	3/3	1/1	1/1
Nicky McCabe ²	2/2	n/a	n/a	1/1
Alison McGregor	5/5	3/3	1/1	1/1

¹ Unable to attend the meetings held in November 2020 as suffering from COVID-19.
² Retired on 14 December 2020.

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

The Board considers the tenure of each Director annually. A Director may serve more than nine years, provided that such Director is considered by the Board to continue to be independent and provides experience that remains relevant. In addition, each Director is subject to annual re-election, or election if newly appointed, by Shareholders.

The Board meets regularly to discharge its duties effectively and the table above gives the attendance record for the meetings held during the reporting year.

Responsibility

Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company for the benefit of our Shareholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long term, fostering relationships with the Company's stakeholders and the desirability of the Company in maintaining a reputation for high standards of business conduct. Further details on promoting the success of the Company can be found in the Strategic Report on pages 27 and 28.

Authority

The Board is furnished by Shareholders with the authority to manage the Company on their behalf, in order to discharge the responsibilities outlined above. The Board, being independent of the Manager, carries out its duties through Board meetings and Board appointed Committee meetings. The most important aspect of Directors' duties concerns the management of the Company's portfolio of assets and of the risk profile of its balance sheet. While the day-to-day investment management is delegated to the Manager, there are certain decisions retained and made by the Directors, including the payment of dividends, the share issue and share repurchase guidelines and the derivatives and gearing policies.

In structuring Board meetings, the Directors try to concentrate as much as possible of their regular Board meetings on (i) investment matters (including strategy, investment policy, gearing

and derivatives policies, portfolio and stock reviews, portfolio turnover, monitoring performance etc); and (ii) Shareholder value matters (including monitoring the premium or discount, share issues and share repurchases and the marketing of the Company). The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board meets regularly with the Company's Broker to discuss Shareholder value and investor relation matters. The Manager meets with the larger Shareholders on a regular basis and reports back to the Board on those meetings. The Chairman, when required, also attends some of these meetings. Key representatives of the Manager attend each Board meeting, enabling the Board to discuss business matters further.

BOARD COMMITTEES

The Board has three Committees, as set out below and on the next page, through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues.

Audit Committee

The Audit Committee consists of Claire Boyle as Chairman, Dean Buckley, Nigel Foster and Alison McGregor. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 46 and 47.

Management Engagement Committee Composition

The Management Engagement Committee is chaired by Andy Irvine and consists of all the Directors.

Corporate Governance Statement continued

Role and Responsibilities

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

Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee basis and also that of its peers. The Committee noted the Company's strong NAV and share price performance over the reporting year and also over five years and over the Portfolio Manager's tenure compared to the returns of the Benchmark Index. The Committee also noted the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of Shareholders that the appointment of the Manager should continue. Details of the fee structure for the reporting year ended 31 August 2021 can be found in the Directors' Report on page 33.

Nomination Committee

Composition

The Nomination Committee is chaired by Andy Irvine and consists of all the Directors.

Role and Responsibilities

The Committee meets at least once a year and reviews the composition, size and structure of the Board. The Committee is responsible for succession planning and it is charged with nominating new Directors for consideration by the Board, and in turn for approval by Shareholders.

In respect of new Directors, the Board believes that it is important in the search for and recommendation of a candidate to the Board that it is controlled by the independent Directors who form the majority of this Committee. The Committee carries out its candidate search from the widest possible pool of talent based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender.

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operation and administration functions of the Company, together with a summary of their duties and responsibilities. Directors are encouraged to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. They also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution of each Director and concluded that each Director seeking re-election has been effective and continues to demonstrate commitment to their role. This has been endorsed by the Board which recommends their reappointment by Shareholders at the forthcoming AGM. The

terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the next AGM.

As part of the re-election process, and other than every third year when an external evaluation is undertaken, a Board evaluation process is undertaken ahead of the AGM which takes the form of written questionnaires and one to one discussions. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board carried out an externally facilitated evaluation last year. The next external evaluation will take place in 2023.

Accountability

Given that the Shareholders entrust the Board of Directors with the management of the Company's affairs, it is necessary that the Board accounts for itself to Shareholders. The process of accountability involves providing all the necessary information for Shareholders to make judgements about the Board's stewardship and performance through a full and informative annual financial report, a half-yearly financial report, the presentation of the Company's results and future prospects at the AGM and accessibility to the Board at any time via the Company Secretary.

The AGM is the occasion when the Board accounts for itself in a public meeting. It regards any bona fide issue that any Shareholder raises as one that should be put to all Shareholders at the AGM so that all those attending can hear any concerns expressed in an open forum and make their own judgement. The AGM provides Shareholders with an opportunity to vote on certain issues that are not ultimately delegated to the Board. This includes the election and re-election of Directors every year in addition to the normal matters of approving the financial statements, the appointment of the Company's Auditor, the issue of new shares and the repurchase of shares. Your Board has an established policy that enables Shareholders to decide whether they wish to continue the Company's existence by putting a "continuation vote" before Shareholders at every third AGM. The next continuation vote will take place at the AGM in 2022.

Directors' Remuneration

The Board determines the level of Directors' fees and full details are disclosed in the Directors' Remuneration report on pages 42 and 43.

Senior Independent Director

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

Company Secretary

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

rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense.

Supply of Information

The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. The Board receives this information in a timely manner and of a quality appropriate to enable it to discharge its duties.

Risk Management and Internal Controls

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

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

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. This process also assists in identifying any new emerging risks and the action necessary to mitigate their potential impact. The Board confirms that this is an effective robust ongoing process in order to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 August 2021 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial and Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard Shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit

Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

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

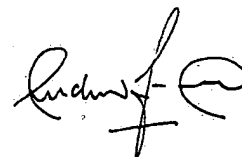
Bribery Act 2010

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

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

Criminal Finances Act 2017

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



Andy Irvine

Chairman

5 November 2021

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 August 2021 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of Non-Executive Directors and has no chief executive officer and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to Shareholders at the AGM on 14 December 2021. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 48 to 53.

Directors' Remuneration

The annual fee structure is as follows: Chairman – £41,000; Chairman of the Audit Committee – £31,750; and Director – £27,000. Fees were last changed on 1 September 2018. Increases in Directors' remuneration are made to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further Shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 14 December 2020, is set out below.

The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable out-of-pocket expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office. Directors' fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated. The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees.

The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager, and research from third parties and it includes information on the fees of other similar investment trusts.

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

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

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

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM held on 14 December 2020 with 99.27% of votes cast in favour, 0.45% of votes cast against and 0.28% of votes withheld. The Policy has been followed throughout the year ended 31 August 2021 and up to the date of this report. As a result of changes being proposed in the Company's Articles of Association on the Directors' fees aggregate cap, the Remuneration Policy will be subject to a vote by Shareholders at the AGM in 2022, provided Shareholders vote in favour of the resolution at the AGM on 14 December 2021.

Voting on the Directors' Remuneration Report

The Directors' Remuneration Report for the year ended 31 August 2020 was approved at the AGM held on 14 December with 99.28% of votes cast in favour, 0.47% of votes cast against and 0.25% of votes withheld.

The Directors' Remuneration Report for the year ended 31 August 2021 will be put to Shareholders at the AGM on 14 December 2021, and the votes cast will be disclosed on the Company's pages of the Manager's website at: www.fidelity.co.uk/specialvalues.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year ended 31 August 2021 was £161,538 (2020: £190,484). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are disclosed in the table on the next page.

The fees for the year under review and the next year are lower than the prior year due to the completion of the crossover between Directors' retirements and appointments from the Board. This was part of the Board's succession planning.

	2022 Projected Fees (£)	2021 Fees (Audited) (£)	2021 Taxable Expenses (Audited) (£)	2021 Total (Audited) (£)	2020 Fees (Audited) (£)	2020 Taxable Expenses (Audited) (£)	2020 Total (Audited) (£)
Remuneration of Directors							
Andy Irvine	41,000	41,000	-	41,000	41,000	3,701	44,701
Claire Boyle ¹	31,750	31,750	-	31,750	30,417	1,705	32,122
Sharon Brown ²	n/a	n/a	n/a	n/a	9,036	2,109	11,145
Dean Buckley	27,000	27,000	-	27,000	27,000	663	27,663
Nigel Foster	27,000	27,000	-	27,000	27,000	-	27,000
Nicky McCabe ³	n/a	7,788	-	7,788	27,000	1,560	28,560
Alison McGregor ⁴	27,000	27,000	-	27,000	18,000	1,293	19,293
Total	153,750	161,538	-	161,538	179,453	11,031	190,484

1 Appointed as Audit Chair on 12 December 2019.

2 Retired on 12 December 2019.

3 Retired on 14 December 2020.

4 Appointed on 1 January 2020.

Expenditure on Directors' Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in Directors' remuneration and distributions to Shareholders. The projected Directors' remuneration for the year ending 31 August 2022 is disclosed in the table above.

	31 August 2021 £	31 August 2020 £
Expenditure on Directors' Remuneration:		
Fees and taxable expenses	161,538	190,484
Distribution to Shareholders:		
Dividend payments	17,386,000	20,575,000

Performance

The Company aims to achieve long term capital growth primarily through investment in equities (and their related financial instruments) of UK companies which the Investment Manager believes to be undervalued or where the potential has not been recognised by the market. The graph below shows the performance of the NAV per ordinary share and share price against the FTSE All-Share Index over ten years to 31 August 2021.

Directors' Remuneration Report continued

Directors' Interests in Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 August 2021	31 August 2020	Change during year
Andy Irvine ¹	250,000	200,000	50,000
Claire Boyle	7,466	7,466	-
Dean Buckley	50,000	50,000	-
Nigel Foster ¹	75,000	73,000	2,000
Nicky McCabe ²	n/a	31,970	n/a
Alison McGregor ³	20,000	29,803	9,803

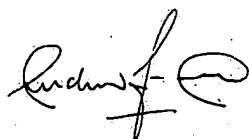
1 Purchase of shares.

2 Retired on 14 December 2020.

3 Sale of shares.

All Directors' shareholdings remained unchanged at the date of this report.

On behalf of the Board



Andy Irvine

Chairman

5 November 2021

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

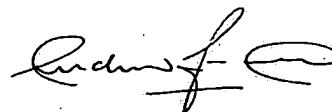
The Directors have delegated the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues to the Manager. Visitors to the website need to be aware that legislation in the UK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

The Directors confirm that to the best of their knowledge:

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

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

Approved by the Board on 5 November 2021 and signed on its behalf by:



Andy Irvine
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process for the year ended 31 August 2021. This report details how we carry out this role.

Composition and Meetings

The members of the Committee are myself as Chairman, Dean Buckley, Nigel Foster and Alison McGregor. All Committee members are independent Non-Executive Directors, and their skills and experience are set out on page 32. The Committee considers that collectively the members have sufficient recent and relevant sector and financial experience to fully discharge their responsibilities.

The Committee met three times during this reporting year. The Committee invites the Company's Auditor and personnel from the Manager's financial, risk and internal audit functions to attend and report to the Committee on relevant matters. During the year, I also met privately with the Auditor and a representative from the Manager's risk function to give them an opportunity to raise any issues without management present. After each Committee meeting, I report to the Board on the main items discussed at the meeting.

Ahead of each AGM, the Committee's performance is evaluated as part of the overall Board evaluation as reported on page 40.

Role and Responsibilities of the Audit Committee

The Committee's authority and duties are defined in its terms of reference, which were reviewed during the year and are available on the Company's pages of the Manager's website at www.fidelity.co.uk/specialvalues. The principal activities carried out during the year were:

- **Financial Reporting:** We considered the Company's financial reports, including the significant accounting issues

Significant issues considered by the Committee during the year

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 45. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

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

and the appropriateness of the accounting policies adopted. We considered and are satisfied that, taken as a whole, the 2021 Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. We considered the ongoing impact of COVID-19 and reviewed the assessment of the Company as a going concern and also its viability over a five year time frame. We reviewed the revenue that has been recognised, particularly in view of the number of dividends that were cancelled or adjusted by companies in the portfolio in the prior year and, in addition, the liquidity of the portfolio.

- **Internal Audit:** We considered the scope of the internal audit of the Manager and the subsequent findings from this work, receiving regular reports from the internal audit function of the Manager. The Committee also monitored progress in the implementation of the Manager's internal audit recommendations;
- **Risk and Internal Control:** During one of the Committee meetings, we considered the key existing and emerging risks facing the Company and the adequacy and effectiveness of the internal controls and risk management processes. This included a review of the Manager's contingency plans for the ongoing pandemic and its business continuity plans and operational resilience strategies in order to continue to meet regulatory obligations and also continuing to serve and support investors and the Board. The Company's third party service providers also continue to implement similar measures to ensure that there is no disruption in service. The Committee received sufficient assurance that the Manager's and third party service providers measures have continued to work effectively; and
- **External Auditor:** we considered the independence, effectiveness and fees of the Auditor, as detailed later in this report.

Recognition of Investment Income

Investment income is recognised in accordance with accounting policy Note 2(e) on page 58. The Manager provided detailed revenue forecasts and the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for the classification of these special dividends. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, including an additional internal controls report ("AAF" report) prepared by PricewaterhouseCoopers LLP ("PwC") on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income.

Valuation, existence and ownership of investments (including derivatives and unlisted investments)

The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(l) and 2(m) on pages 59 and 60. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depositary and an additional AAF report prepared by PwC on behalf of the Manager which concluded that the controls around the valuation, existence and ownership of investments operate effectively. Unlisted investments are appraised by the Manager's Fair Value Committee ("FVC") in accordance with UK GAAP and International Private Equity and Venture Capital Valuation Guidelines. The Committee received information from the FVC and it reviewed and approved the proposed valuation methodologies for all unlisted investments. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including derivatives and unlisted investments.

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

Financial Reporting Council ("FRC")

During the year, the Company had correspondence with the FRC's Conduct Committee in relation to its routine review of the Company's Annual Report for the year ended 31 August 2020. The Conduct Committee confirmed to us that it had no questions or queries to raise but noted two matters which they believed would benefit from improved disclosures for users of the Company's report and accounts. I am pleased to confirm that we have incorporated both of the FRC's recommendations in the preparation of this Annual Report. We have renamed the Creditors heading in the Balance Sheet as Current Liabilities, and have ensured consistency between the closing gains/losses reported in the Note on Investments and in the Note on Reserves.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 August 2021.

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

- The Auditor's arrangements for any conflicts of interest;
- The fact that no non-audit services were provided to the Company during the reporting year and as at the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards.

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

- The fulfilment by the Auditor of the agreed audit plan, including the audit team and approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 August 2021; and
- Feedback from the Manager on the audit of the Company.

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

Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process in 2015. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the first year that the new Audit Partner, Susan Dawe, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restricts the Company's choice of auditor.

Audit Fees

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 6 on page 62. The audit fee for the reporting year was £28,500 (2020: £33,500).

Claire Boyle

Chairman of the Audit Committee
5 November 2021

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

Opinion

We have audited the Financial Statements of Fidelity Special Values PLC (the Company) for the year ended 31 August 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engagement with the

Directors and the Company Secretary to determine if all key factors were considered in their assessment.

- Inspection of the Directors' assessment of going concern, including the revenue forecast, for the period to 30 November 2022. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. Considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Company.
- Consideration of the mitigating factors included in the revenue forecasts that are within the control of the Company. Reviewing the Company's assessment of the liquidity of investments held and evaluation of the Company's ability to sell those investments to cover the working capital requirements should its revenue decline significantly.
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 November 2022 which is at least twelve months from the date of approval of the Financial Statements.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters

- Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement
- Risk of incorrect valuation or ownership of the investment portfolio

Materiality

- Overall materiality of £9.54m which represents 1% of the net asset value of the Company as at 31 August 2021.

An overview of the scope of our audit

Tailoring the scope

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement</p> <p><i>Refer to the Report of the Audit Committee (page 46); Accounting Policies (page 58); and Note 3 of the Financial Statements (page 61).</i></p> <p>The Company has reported revenue of £28.15m (2020: £21.07m).</p> <p>During the year, the Company received special dividends amounting to £2.02m (2020: £0.57m), of which £0.29m (2020: £0.29m) was classified as revenue and £1.73m (2020: £0.28m) as capital.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the Directors are required to exercise judgement in determining whether income received in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Walked through the revenue recognition process and classification of special dividends processes and obtained an understanding of the design and implementation of the controls; For a sample of dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We agreed the amounts received to bank statements and, where applicable, we also agreed the exchange rates to an external source; To test completeness of recorded income, we tested that all expected dividends for a sample of investee companies had been recorded as income with reference to investee company announcements obtained from an independent data vendor; For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 August 2021. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the amount receivable and agreed the subsequent cash receipts to post-year end bank statements where applicable; and Identified the special dividends greater than our testing threshold and assessed the appropriateness of the Company's classification by reviewing the rationale for the distribution of the special dividends received and agreed with the allocation to revenue or capital. 	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Income Statement.</p>

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incorrect valuation or ownership of the investment portfolio</p> <p><i>Refer to the Report of the Audit Committee (page 47); Accounting policies (pages 59 and 60); and Notes 11 and 12 of the Financial Statements (pages 65 and 66).</i></p> <p>The valuation of the investment portfolio as at the year-end was £885.52m (2020: £569.44m), including £886.44m (2020: £563.48m) of listed investments, £0.27m (2020: £0.29m) of unlisted investments and £(1.19)m (2020: £5.67m) of net derivatives.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, including incorrect application of exchange rates, or failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and return generated for shareholders.</p> <p>The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the investment valuation process to obtain an understanding of the design of the controls surrounding the valuation of investments; • For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the valuations as at the year-end. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations; • We inspected the stale pricing report to identify prices that have not changed and verified whether the quoted price is a valid fair value through review of trading activity; and • We compared the Company's investment holdings at 31 August 2021 to independent confirmation received directly from the Company's Custodian, Depositary or Brokers. 	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

In the prior year, our Auditor's report included a key audit matter in relation to the impact of COVID-19. The impact of COVID-19 on going concern continued to be relevant to our audit of the Company and we considered this as part of our overall work on going concern which is set out under "Conclusions relating to going concern".

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £9.54m (2020: £5.79m), which is 1% (2020: 1%) of the Company's net asset value. We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £7.16m (2020: £4.35m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £1.10m (2020: £0.71m) being 5% (2020: 5%) of revenue profit before tax.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.48m (2020: £0.30m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 26 and 27;

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

- Directors' statement on fair, balanced and understandable set out on page 45;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 41; and
- The section describing the work of the Audit Committee set out on page 46.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, and Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how Fidelity Special Values PLC is complying with those frameworks through discussions with the Audit Committee and the Company Secretary and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition, through incorrect classification of special dividends as revenue or capital in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements applicable to the Company.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 30 November 2015 to audit the Financial Statements for the year ending 31 August 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 August 2016 to 31 August 2021.

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

Use of our report

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

Susan Dawe

Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh
5 November 2021

Income Statement

for the year ended 31 August 2021

	Notes	Year ended 31 August 2021			Year ended 31 August 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	11	-	252,899	252,899	-	(131,085)	(131,085)
Gains/(losses) on long CFDs	12	-	55,323	55,323	-	(11,820)	(11,820)
Losses on short CFDs and futures	12	-	-	-	-	(1,905)	(1,905)
Investment and derivative income	3	27,890	-	27,890	20,282	-	20,282
Other interest	3	257	-	257	789	-	789
Derivative expenses	4	-	-	-	(75)	-	(75)
Investment management fees	5	(5,098)	-	(5,098)	(5,627)	-	(5,627)
Other expenses	6	(669)	-	(669)	(718)	-	(718)
Foreign exchange losses		-	(720)	(720)	-	(2,641)	(2,641)
Net return/(loss) on ordinary activities before finance costs and taxation		22,380	307,502	329,882	14,651	(147,451)	(132,800)
Finance costs	7	(378)	-	(378)	(530)	-	(530)
Net return/(loss) on ordinary activities before taxation		22,002	307,502	329,504	14,121	(147,451)	(133,330)
Taxation on return/(loss) on ordinary activities	8	(406)	-	(406)	(360)	-	(360)
Net return/(loss) on ordinary activities after taxation for the year		21,596	307,502	329,098	13,761	(147,451)	(133,690)
Return/(loss) per ordinary share	9	7.22p	102.74p	109.96p	4.81p	(51.59p)	(46.78p)

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.

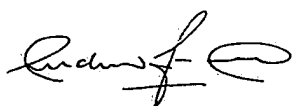
Balance Sheet

as at 31 August 2021

Company number 2972628

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	11	886,710	563,763
Current assets			
Derivative instruments	12	1,968	7,619
Debtors	13	6,674	3,921
Amounts held at futures clearing houses and brokers		40	860
Cash and cash equivalents		63,780	9,802
		72,462	22,202
Current liabilities			
Derivative instruments	12	(3,161)	(1,946)
Other creditors	14	(1,921)	(4,514)
		(5,082)	(6,460)
Net current assets		67,380	15,742
Net assets		954,090	579,505
Capital and reserves			
Share capital	15	15,651	14,501
Share premium account	16	205,466	144,306
Capital redemption reserve	16	3,256	3,256
Other non-distributable reserve	16	5,152	5,152
Capital reserve	16	702,637	394,572
Revenue reserve	16	21,928	17,718
Total Shareholders' funds		954,090	579,505
Net asset value per ordinary share	17	304.79p	199.81p

The Financial Statements on pages 54 to 76 were approved by the Board of Directors on 5 November 2021 and were signed on its behalf by:



Andy Irvine
Chairman

The Notes on pages 58 to 76 form an integral part of these Financial Statements.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Statement of Changes in Equity

for the year ended 31 August 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non- distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Share- holders' funds £'000
Total Shareholders' funds at 31 August 2020		14,501	144,306	3,256	5,152	394,572	17,718	579,505
New ordinary shares issued	15	1,150	61,259	-	-	-	-	62,409
Costs associated with the issue of new ordinary shares		-	(123)	-	-	-	-	(123)
Issue of ordinary shares from Treasury	15	-	24	-	-	2,383	-	2,407
Repurchase of ordinary shares into Treasury	15	-	-	-	-	(1,820)	-	(1,820)
Net return on ordinary activities after taxation for the year		-	-	-	-	307,502	21,596	329,098
Dividends paid to Shareholders	10	-	-	-	-	-	(17,386)	(17,386)
Total Shareholders' funds at 31 August 2021		15,651	205,466	3,256	5,152	702,637	21,928	954,090
Total Shareholders' funds at 31 August 2019		13,808	109,897	3,256	5,152	542,023	24,532	698,668
New ordinary shares issued	15	693	34,409	-	-	-	-	35,102
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(147,451)	13,761	(133,690)
Dividends paid to Shareholders	10	-	-	-	-	-	(20,575)	(20,575)
Total Shareholders' funds at 31 August 2020		14,501	144,306	3,256	5,152	394,572	17,718	579,505

Cash Flow Statement

for the year ended 31 August 2021

	Notes	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Operating activities			
Investment income received		17,825	18,960
Net derivative income		7,930	4,236
Interest received		24	695
Underwriting commission received		16	-
Investment management fee paid		(5,059)	(5,714)
Directors' fees paid		(163)	(179)
Other cash payments		(567)	(512)
Net cash inflow from operating activities before finance costs and taxation	21	20,006	17,486
Finance costs paid		(378)	(530)
Overseas taxation suffered		(348)	(625)
Net cash inflow from operating activities		19,280	16,331
Investing activities			
Purchases of investments		(378,229)	(335,753)
Sales of investments		305,611	284,973
Receipts on long CFDs		91,127	9,781
Payments on long CFDs		(28,938)	(41,630)
Payments on short CFDs and futures		-	(2,400)
Movement on amounts held at futures clearing houses and brokers		820	17,142
Net cash outflow from investing activities		(9,609)	(67,887)
Net cash inflow/(outflow) before financing activities		9,671	(51,556)
Financing activities			
Dividends paid	10	(17,386)	(20,575)
Net proceeds from issue of shares		64,356	35,486
Costs associated with the issue of new ordinary shares		(123)	-
Repurchase of ordinary shares		(1,820)	-
Net cash inflow from financing activities		45,027	14,911
Net increase/(decrease) in cash and cash equivalents		54,698	(36,645)
Cash and cash equivalents at the beginning of the year		9,802	49,088
Effect of movement in foreign exchange		(720)	(2,641)
Cash and cash equivalents at the end of the year		63,780	9,802
Represented by:			
Cash at bank		2,000	1,860
Amount held in Fidelity Institutional Liquidity Fund		61,780	7,942
		63,780	9,802

The Notes on pages 58 to 76 form an integral part of these Financial Statements.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Notes to the Financial Statements

1 Principal Activity

Fidelity Special Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2972628, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 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.

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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 30 November 2022 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the continuing risks arising from COVID-19.

The Company's Going Concern Statement in the Directors' Report on page 33 takes account of all events and conditions up to 30 November 2022 which is at least twelve months from the date of approval of these Financial Statements.

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. Debt security interest is accounted for on an accruals basis and is credited to the revenue column of the Income Statement. Underwriting commission is recognised when the issue takes place and is credited to the revenue column of the Income Statement.

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, bank deposits, collateral and money market funds are accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represent the finance costs calculated by reference to the notional value of the CFDs.

f) Derivative expenses – Derivative expenses comprises interest paid on short CFDs, which is 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. Derivative expenses are charged in full to the revenue column of the Income Statement.

2 Accounting Policies continued

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

- Investment management fees are allocated in full to revenue; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

h) 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 at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on 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.

i) Finance costs – Finance costs comprises interest on bank overdrafts and collateral, and finance costs paid on CFDs, which are accounted for on an accruals basis. Finance costs are charged in full to the revenue column of the Income Statement.

j) 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.

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

l) 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 which are not quoted, or are not frequently traded, are stated at the Directors' best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, meets quarterly to determine the fair value of unlisted investments.

The FVC provide a recommendation of fair values to the Board using market-based approaches such as multiples, industry valuation benchmarks and available market prices. Consideration is given to the cost of the investment, recent arm's length transactions in the same or similar investments and the financial performance of the investment since purchase. This pricing methodology is subject to a detailed review and appropriate challenge by the Directors.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains/(losses) on investments in the capital column of the Income Statement and has disclosed these costs in Note 11 on page 65.

Notes to the Financial Statements continued

2 Accounting Policies continued

m) 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 warrants. Derivatives are classified as other financial instruments and are initially accounted for and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long 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; and
- Options – valued based on similar instruments or the quoted trade price for the contract.

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: for long CFDs, as gains or losses on long CFDs, and for short CFDs, futures and options as gains or losses on short CFDs, futures and options 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 current liabilities.

n) Debtors – Debtors include securities sold for future settlement, accrued income, taxation recoverable, amounts receivable for issue of shares 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.

o) 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.

p) Cash and cash equivalents – Cash and cash equivalents may comprise cash at bank and money market funds which are short term, highly liquid and are readily convertible to a known amount of cash. These are subject to an insignificant risk of changes in value.

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

r) 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;
- Dividends receivable which are capital in nature; and
- Costs of repurchasing or issuing ordinary shares.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding gains of £181,000 (2020: gains of £40,000).

3 Income

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Investment income		
UK dividends	13,392	11,678
Overseas dividends	6,114	3,615
Underwriting commission	16	-
Overseas scrip dividends	-	274
Debt security interest	-	138
	19,522	15,705
Derivative income		
Dividends received on long CFDs	8,368	4,577
Investment and derivative income	27,890	20,282
Other interest		
Interest received on long CFDs*	233	94
Interest received on bank deposits, collateral and money market funds	24	695
	257	789
Total income	28,147	21,071

Special dividends of £1,730,000 (2020: £276,000) have been recognised in capital.

* Due to negative interest rates during the reporting year, the Company has received interest on some of its long CFD positions.

4 Derivative Expenses

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Dividends paid on short CFDs	-	71
Interest paid on short CFDs	-	4
	-	75

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Notes to the Financial Statements continued

5 Investment Management Fees

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Portfolio management services	5,065	5,527
Non-portfolio management services*	33	100
Investment management fees	5,098	5,627

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

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

From 1 January 2021, FIL charges portfolio management fees at an annual rate of 0.60% of net assets and the fee for non-portfolio management services of £100,000 per annum is no longer charged. Prior to this date, the portfolio management fees were charged on a tiered fee basis of 0.85% on the first £700 million of net assets and 0.75% of net assets in excess of £700 million.

6 Other Expenses

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
AIC fees	21	22
Custody fees	32	20
Depository fees	56	54
Directors' expenses	2	21
Directors' fees ¹	162	179
Legal and professional fees	89	48
Marketing expenses	106	175
Printing and publication expenses	94	88
Registrars' fees	57	52
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements ²	29	34
Sundry other expenses	21	25
Other expenses	669	718

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 43.

2 The VAT payable on audit fees is included in sundry other expenses.

7 Finance Costs

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Interest paid on long CFDs	370	525
Interest on bank overdrafts and collateral	8	5
	378	530

8 Taxation on Return/(Loss) on Ordinary Activities

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	406	360
Taxation charge for the year (see Note 8b)	406	360
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% (2020: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:		
	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Net return/(loss) on ordinary activities before taxation	329,504	(133,330)
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	62,606	(25,333)
Effects of:		
Capital (gains)/losses not taxable*	(58,425)	28,016
Income not taxable	(3,657)	(2,958)
Excess management expenses	(524)	239
Adjustment to brought forward excess management expenses	-	36
Overseas taxation	406	360
Total taxation charge for the year (see Note 8a)	406	360

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

c) Deferred taxation

A deferred tax asset of £16,893,000 (2020: £13,362,000), in respect of excess expenses of £67,571,000 (2020: £70,327,000) available to be set off against future taxable profits has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

In the Spring Budget the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This rate has been substantively enacted at the balance sheet date and has therefore been applied to calculate the unrecognised deferred tax asset for the current year (2020: 19%).

Notes to the Financial Statements continued

9 Return/(Loss) per Ordinary Share

	Year ended 31.08.21	Year ended 31.08.20
Revenue return per ordinary share	7.22p	4.81p
Capital return/(loss) per ordinary share	102.74p	(51.59p)
Total return/(loss) per ordinary share	109.96p	(46.78p)

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	21,596	13,761
Net capital return/(loss) on ordinary activities after taxation	307,502	(147,451)
Net total return/(loss) on ordinary activities after taxation	329,098	(133,690)

	Number	Number
Weighted average number of ordinary shares held outside Treasury	299,297,599	285,790,149

10 Dividends Paid to Shareholders

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Dividends paid		
Interim dividend of 2.17 pence per ordinary share paid for the year ended 31 August 2021	6,603	-
Final dividend of 3.70 pence per ordinary share paid for the year ended 31 August 2020	10,783	-
Interim dividend of 2.10 pence per ordinary share paid for the year ended 31 August 2020	-	6,091
Final dividend of 3.65 pence per ordinary share paid for the year ended 31 August 2019	-	10,265
Special dividend of 1.50 pence per ordinary share paid for the year ended 31 August 2019	-	4,219
	17,386	20,575
Dividends proposed		
Final dividend proposed of 4.50 pence per ordinary share for the year ended 31 August 2021	14,109	-
Final dividend proposed of 3.70 pence per ordinary share for the year ended 31 August 2020	-	10,693
	14,109	10,693

The Directors have proposed the payment of a final dividend of 4.50 pence per ordinary share for the year ended 31 August 2021 which is subject to approval by Shareholders at the Annual General Meeting on 14 December 2021 and has not been included as a liability in these Financial Statements. The dividend will be paid on 12 January 2022 to Shareholders on the register at the close of business on 3 December 2021 (ex-dividend date 2 December 2021).

11 Investments

	2021 £'000	2020 £'000
Listed investments	886,438	563,479
Unlisted investments	272	284
Total investments at fair value	886,710	563,763
Opening book cost	635,740	600,132
Opening investment holding (losses)/gains	(71,977)	35,407
Opening fair value	563,763	635,539
Movements in the year		
Purchases at cost	375,614	339,800
Sales – proceeds	(305,566)	(280,491)
Gains/(losses) on investments	252,899	(131,085)
Closing fair value	886,710	563,763
Closing book cost	726,247	635,740
Closing investment holding gains/(losses)	160,463	(71,977)
Closing fair value	886,710	563,763

The Company received £305,566,000 (2020: £280,491,000) from investments sold in the year. The book cost of these investments when they were purchased was £285,107,000 (2020: £304,192,000). 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 gains/(losses) on investments above, were as follows:

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Purchases transaction costs	1,570	1,481
Sales transaction costs	157	153
	1,727	1,634

The portfolio turnover rate for the year was 45.9% (2020: 52.1%).

Notes to the Financial Statements continued

12 Derivative Instruments

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Gains/(losses) on long CFDs		
Gains/(losses) on long CFD positions closed	62,189	(31,849)
Movement in investment holding (losses)/gains	(6,866)	20,029
	55,323	(11,820)

Losses on short CFDs and futures

Losses on short CFDs positions closed	-	(305)
Losses on futures contracts closed	-	(2,095)
Movement in investment holding gains on futures	-	495
	-	(1,905)

	2021 Fair value £'000	2020 Fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	1,968	7,619
Derivative instrument liabilities	(3,161)	(1,946)
	(1,193)	5,673

	Fair value £'000	2021 Asset exposure £'000	Fair value £'000	2020 Asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	(1,193)	206,266	5,673	96,890

13 Debtors

	2021 £'000	2020 £'000
Securities sold for future settlement	-	41
Accrued income	5,430	3,078
Overseas taxation recoverable	686	744
UK income tax recoverable	37	37
Amounts receivable for issue of shares	460	-
Other debtors and prepayments	61	21
	6,674	3,921

14 Other Creditors

	2021 £'000	2020 £'000
Securities purchased for future settlement	1,304	3,919
Creditors and accruals	617	595
	1,921	4,514

15 Share Capital

	Number of shares	2021 £'000	Number of shares	2020 £'000
Issued, allotted and fully paid ordinary shares of 5 pence each				
Held outside Treasury				
Beginning of the year	290,029,480	14,501	276,169,480	13,808
Ordinary shares repurchased into Treasury	(1,025,473)	(51)	-	-
Ordinary shares issued out of Treasury	1,025,473	51	-	-
New ordinary shares issued	22,999,440	1,150	13,860,000	693
End of the year	313,028,920	15,651	290,029,480	14,501
Held in Treasury*				
Beginning of the year	-	-	-	-
Ordinary shares repurchased into Treasury	1,025,473	51	-	-
Ordinary shares issued out of Treasury	(1,025,473)	(51)	-	-
End of the year	-	-	-	-
Total share capital	313,028,920	15,651	290,029,480	14,501

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

During the year, 24,024,913 ordinary shares (2020: 13,860,000 shares) were issued. The premium received in the year on the issue of new ordinary shares of £61,259,000 (2020: £34,409,000) and on the issue of ordinary shares out of Treasury of £24,000 (2020: £nil) was credited to the share premium account. From the issue of ordinary shares out of Treasury, £2,383,000 (2020: £nil) was credited to the capital reserve.

1,025,473 ordinary shares (2020: nil) were repurchased and held in Treasury. The cost of repurchasing these shares was £1,820,000 (2020: £nil). This amount was charged to the capital reserve.

STRATEGY

GOVERNANCE

FINANCIAL

INFORMATION FOR SHAREHOLDERS

Notes to the Financial Statements continued

16 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non-distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Shareholders' funds £'000
At 1 September 2020	14,501	144,306	3,256	5,152	394,572	17,718	579,505
Gains on investments (see Note 11)	-	-	-	-	252,899	-	252,899
Gains on long CFDs (see Note 12)	-	-	-	-	55,323	-	55,323
Foreign exchange losses	-	-	-	-	(720)	-	(720)
New ordinary shares issued	1,150	61,259	-	-	-	-	62,409
Costs associated with the issue of new ordinary shares	-	(123)	-	-	-	-	(123)
Issue of ordinary shares from Treasury	-	24	-	-	2,383	-	2,407
Repurchase of ordinary shares into Treasury	-	-	-	-	(1,820)	-	(1,820)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	21,596	21,596
Dividends paid to Shareholders (see Note 10)	-	-	-	-	-	(17,386)	(17,386)
At 31 August 2021	15,651	205,466	3,256	5,152	702,637	21,928	954,090

The capital reserve balance at 31 August 2021 includes investment holding gains of £160,463,000 (2020: losses of £71,977,000) as detailed in Note 11 above. See Note 2 (r) above for further details. The revenue and capital reserves are distributable by way of dividend.

17 Net Asset Value per Ordinary Share

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

	2021	2020
Total Shareholders' funds	£954,090,000	£579,505,000
Ordinary shares held outside of Treasury at year end	313,028,920	290,029,480
Net asset value per ordinary share	304.79p	199.81p

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.

18 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, cybercrime, environmental, social and governance ("ESG"), regulatory, key person, discount control, competition, investment management, pandemic and operational risks. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 24 to 26.

18 Financial Instruments continued

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 and bonds held in accordance with the Company's investment objective and policies;
- Derivative instruments which comprise CFDs, 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 Board imposes limits to ensure gearing levels are appropriate. 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:

	2021 £'000	2020 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	207,459	91,217
Exposure to financial instruments that earn interest		
Amounts held at futures clearing houses and brokers	40	860
Cash and cash equivalents	63,780	9,802
	63,820	10,662
Net exposure to financial instruments that bear interest	143,639	80,555

Due to negative interest rates during the reporting year, the Company has received interest on some of its long CFD positions.

Foreign currency risk

The Company does not carry out currency speculation. The Company's net return/(loss) on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange movements because the Company has income and assets which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short term exposure 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.

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

Notes to the Financial Statements continued

18 Financial Instruments continued

Currency exposure of financial assets

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

					2021
Currency	Investments held at fair value £'000	Long exposure to derivative instruments ¹ £'000	Debtors ² £'000	Cash and cash equivalents ³ £'000	Total £'000
Euro	66,994	56,536	76	2	123,608
US dollar	13,088	-	77	13,036	26,201
Swiss franc	21,802	-	275	-	22,077
Swedish krona	14,353	-	-	-	14,353
Australian dollar	13,967	-	-	-	13,967
Norwegian krone	4,753	-	-	-	4,753
South African rand	3,351	84	-	-	3,435
Danish krone	-	-	71	-	71
UK sterling	748,402	149,646	6,215	50,742	955,005
	886,710	206,266	6,714	63,780	1,163,470

1 The exposure to the market of long CFDs.

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

3 Cash and cash equivalents are made up of £2,000,000 cash at bank and £61,780,000 held in Fidelity Institutional Liquidity Fund.

					2020
Currency	Investments held at fair value £'000	Long exposure to derivative instruments ¹ £'000	Debtors ² £'000	Cash and cash equivalents ³ £'000	Total £'000
Euro	32,969	38,212	54	2	71,237
US dollar	26,043	-	11	9,794	35,848
Swiss franc	22,905	-	392	1	23,298
Australian dollar	14,417	-	-	-	14,417
Swedish krona	9,415	-	-	-	9,415
Canadian dollar	4,482	-	-	-	4,482
Norwegian krone	2,122	-	-	-	2,122
South African rand	1,984	49	-	-	2,033
Danish krone	-	-	74	-	74
UK sterling	449,426	58,629	4,250	5	512,310
	563,763	96,890	4,781	9,802	675,236

1 The exposure to the market of long CFDs.

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

3 Cash and cash equivalents are made up of £1,860,000 cash at bank and £7,942,000 held in Fidelity Institutional Liquidity Fund.

18 Financial Instruments continued

Currency exposure of financial liabilities

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

Currency	Other creditors £'000	2021
		Total £'000
Norwegian krone	13	13
UK sterling	1,908	1,908
	1,921	1,921

Currency	Other creditors £'000	2020
		Total £'000
Norwegian krone	2,126	2,126
UK sterling	2,388	2,388
	4,514	4,514

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 August 2021, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £3,161,000 (2020: £1,946,000) and creditors of £1,921,000 (2020: £4,514,000).

Notes to the Financial Statements continued

18 Financial Instruments continued

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. These are known as Over the Counter ("OTC") trades. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Investment Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. All collateral amounts are held in UK sterling and are managed on a daily basis for all relevant transactions. At 31st August 2021, £2,120,000 (2020: £8,590,000) was held by brokers in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised: J.P. Morgan Securities plc £1,270,000 (2020: £170,000), HSBC Bank plc £850,000 (2020: £7,775,000) and Morgan Stanley & Co International plc £nil (2020: £645,000). £40,000 (2020: £860,000), 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 comprised of: UBS AG £40,000 (2020: £840,000) in cash and Goldman Sachs International Ltd £nil (2020: £20,000) 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 instrument 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 August 2021, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £359,000 (2020: increased the net loss and decreased the net assets by £201,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 August 2021, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £18,950,000 (2020: increased the net loss and decreased the net assets by £14,618,000). A 10% weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £23,161,000 (2020: decreased the net loss and increased the net assets of the Company by £17,867,000).

18 Financial Instruments continued

Other price risk – exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 August 2021, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £88,644,000 (2020: decreased the net loss and increased the net assets by £56,348,000). A decrease of 10% in share prices would have had an equal and opposite effect.

An increase of 10% in the valuation of unlisted investments held at the Balance Sheet date would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £27,000 (2020: decreased the net loss after taxation and increased the net assets by £28,000). A decrease of 10% in the valuation 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 August 2021, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £20,627,000 (2020: decreased the net loss and increased the net assets by £9,689,000). 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 (l) and (m) above, investments and derivative instruments are shown at fair value.

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 in 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 (l) and (m) above. The table below sets out the Company's fair value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 Total £'000
Financial assets at fair value through profit or loss				
Investments	885,753	–	957	886,710
Derivative instrument assets	–	1,968	–	1,968
	885,753	1,968	957	888,678
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(3,161)	–	(3,161)

Notes to the Financial Statements continued

18 Financial Instruments continued

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 Total £'000
Financial assets at fair value through profit or loss				
Investments	562,866	-	897	563,763
Derivative instrument assets	-	7,619	-	7,619
	562,866	7,619	897	571,382
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(1,946)	-	(1,946)

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

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Beginning of the year	897	1,423
Sales - proceeds	(95)	(462)
Sales - gains/(losses)	14	(81)
Movement in investment holding gains	141	17
End of the year	957	897

Marwyn Value Investors

Marwyn Value Investors is a closed-ended fund incorporated in the United Kingdom. The fund is highly illiquid and the valuation at 31st August 2021 is based on the indicative bid price in the absence of a last trade price. As at 31 August 2021, its fair value was £685,000 (2020: £613,000).

TVC Holdings

TVC Holdings is an unlisted investment holding company incorporated in Ireland. The valuation at 31 August 2021 is based on the last trade price. As at 31 August 2021, its fair value was £272,000 (2020: £284,000).

19 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 55 and any gearing, which is managed by the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 22. The principal risks and their management are disclosed in the Strategic Report on pages 24 to 26 and in Note 18 above.

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

	2021		2020	
	Asset exposure		Asset exposure	
	£'000	% ¹	£'000	% ¹
Investments	886,710	93.0	563,763	97.3
Long CFDs	206,266	21.6	96,890	16.7
Total asset exposure	1,092,976	114.6	660,653	114.0
Shareholders' funds	954,090		579,505	
Gearing²		14.6		14.0

¹ Asset exposure to the market expressed as a percentage of Shareholders' funds.

² Gearing is the amount by which Asset Exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.

20 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 on page 33 and in Note 5 above. During the year, fees for portfolio management services of £5,065,000 (2020: £5,527,000), and fees for non-portfolio management services of £33,000 (2020: £100,000) were payable to FIL. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £474,000 (2020: £418,000) and fees for non-portfolio management services of £nil (2020: £17,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £106,000 (2020: £175,000). At the Balance Sheet date, marketing services of £13,000 (2020: £20,000) were 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 on pages 43 and 44. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £16,000 (2020: £19,000) of Employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £13,000 (2020: £15,000) were accrued and payable.

Notes to the Financial Statements continued

21 Reconciliation of Net Return/(Loss) on Ordinary Activities before Finance Costs and Taxation to Net Cash Inflow from Operating Activities before Finance Costs and Taxation

	Year ended 31.08.21 £'000	Year ended 31.08.20 £'000
Net total return/(loss) on ordinary activities before finance costs and taxation	329,882	(132,800)
Net capital (return)/loss on ordinary activities before finance costs and taxation	(307,502)	147,451
Net revenue return on ordinary activities before finance costs and taxation	22,380	14,651
Scrip dividends	-	(274)
(Increase)/decrease in debtors	(2,392)	3,163
Increase/(decrease) in other creditors	18	(54)
Net cash inflow from operating activities before finance costs and taxation	20,006	17,486

Alternative Performance Measures

Total Return

Total return is considered to be an Alternative Performance Measure. NAV per ordinary share total return includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 August 2021 and 31 August 2020.

	Net asset value per ordinary share	Share price
2021		
31 August 2020	199.81p	181.60p
31 August 2021	304.79p	308.50p
Change in year	+52.5%	+69.9%
Impact of dividend reinvestment	+3.7%	+3.9%
Total return for the year	+56.2%	+73.8%

	Net asset value per ordinary share	Share price
2020		
31 August 2019	252.99p	251.50p
31 August 2020	199.81p	181.60p
Change in year	-21.0%	-27.8%
Impact of dividend reinvestment	+2.5%	+2.4%
Total return for the year	-18.5%	-25.4%

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.

	2021	2020
Investment management fees (£'000)	5,098	5,627
Other expenses (£'000)	669	718
Ongoing charges (£'000)	5,767	6,345
Average net assets (£'000)	759,198	649,924
Ongoing charges ratio	0.76%	0.98%

Gearing

Gearing is considered to be an Alternative Performance Measure. See Note 19 on page 75 for details of the Company's gearing.

Discount/Premium

The discount/premium is considered to be an Alternative Performance Measure. Details of the Company's discount/premium are on the Financial Highlights page.

Financial Calendar

The key dates in the Company's calendar are:

31 August 2021 – Financial Year End

November 2021 – Announcement of the annual results for the year ended 31 August 2021

November 2021 – Publication of the Annual Report

2 December 2021 – Ex-dividend Date

3 December 2021 – Dividend Record Date

14 December 2021 – Annual General Meeting

12 January 2022 – Payment of Final Dividend

28 February 2022 – Half-Year End

April 2022 – Announcement of the Half-Yearly Results for the six months to 28 February 2022

April 2022 – Publication of the Half-Yearly Report

May 2022 – Ex-Dividend and Dividend Record Date

June 2022 – Payment of Interim Dividend

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Special Values PLC will be held 4 Cannon Street, London EC4M 5AB on Tuesday, 14 December 2021 at 11.30 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 August 2021.
2. To declare that a final dividend for the year ended 31 August 2021 of 4.50 pence per ordinary share be paid to Shareholders on the register as at close of business on 3 December 2021.
3. To re-elect Mr Andy Irvine as a Director.
4. To re-elect Mrs Claire Boyle as a Director.
5. To re-elect Mr Dean Buckley as a Director.
6. To re-elect Mr Nigel Foster as a Director.
7. To re-elect Mrs Alison McGregor as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 42) for the year ended 31 August 2021.
9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
10. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, pass the following special business resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12, 13 and 14 as special resolutions.

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of new ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary Shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 5 November 2021. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's Shareholders to do so. Any ordinary shares held in Treasury would be re-issued at net asset value ("NAV") per ordinary share or at a premium to NAV per ordinary share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per ordinary share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or

to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,567,644 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 5 November 2021) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

- a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,567,644 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 5 November 2021); and
- b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per ordinary share,

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

Notice of Meeting continued

Authority to Repurchase Shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 5 November 2021 either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per ordinary share, thereby resulting in an increased NAV per ordinary share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5 pence each ("the shares") in the capital of the Company provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 46,997,985;
- b) the minimum price which may be paid for a share is 5 pence;
- c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
 - i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Official List for the five business days immediately preceding the day of purchase; and
 - ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;
- d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Adoption of New Articles of Association

Resolution 14 is a special resolution that relates to the adoption of New Articles of Association by the Company to make changes in relation to general meetings, retirement of Directors, Directors' fees, regulatory restrictions and information requirements and other administrative updates, as described further on pages 36 and 37.

14. THAT with effect from the passing of this resolution, the draft Articles of Association produced to the meeting and, for the purpose of identification, initialled by the Chairman, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board

FIL INVESTMENTS INTERNATIONAL

Secretary

5 November 2021

Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at www.signalshares.com, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your Form of Proxy.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 11.30 am on Friday, 10 December 2021. Completion and return of the form of proxy will not prevent a Shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, PXS 1, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used, in each case excluding non-business days.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.30 am on Friday, 10 December 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11.30 am on Friday, 10 December 2021.
6. Proximity Voting – If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to www.proximity.io. Your proxy must be lodged by no later than 11.30 am on Friday, 10 December 2021 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
7. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Friday, 10 December 2021. Shareholders are urged to vote using the proxy form provided or electronically where permitted by your nominee or platform.
8. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
9. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
10. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Friday, 10 December 2021. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
11. As at 5 November 2021 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 313,528,920 ordinary shares carrying one vote each. No shares were held in Treasury. Therefore, the total number of shares with voting rights in the Company was 313,528,920.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
14. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

Notice of Meeting continued

15. No Director has a service contract with the Company.
16. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/specialvalues.

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

Shareholder Information

Investing in Fidelity Special Values Plc

Fidelity Special Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages of the Manager's website at: www.fidelity.co.uk/specialvalues.

CONTACT INFORMATION

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

Shareholders on the main share register

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

Email: enquiries@linkgroup.co.uk

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

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

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

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

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

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth, Surrey KT20 9FU.

Website: www.fidelity.co.uk/its.

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

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

General enquiries

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

Telephone: **01737 836347**

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

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

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning **020 7930 3737**.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (the AIFM/Manager)

FIL Investment Services (UK) Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Investment Manager, Secretary and Registered Office

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

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbroker

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Registrar

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

Company Information

The Company was launched on 17 November 1994. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of ordinary shares on a five-for-one basis on 29 June 2015, the Company's share capital now comprises ordinary shares of 5 pence each and the restated original subscription price is 20 pence for each ordinary share.

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

Price Information

The share price of Fidelity Special Values PLC is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at: www.fidelity.co.uk/specialvalues

Investors can also obtain current price information by telephoning Fidelity for free on **0800 41 41 10** or FT Cityline on **0905 817 1690** (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity Special Values PLC is FSV.L, the SEDOL is BWXC7Y9 and the ISIN is GB00BWXC7Y93.

Net Asset Value ("NAV") Information

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

UK Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,300 of capital gains in the current tax year 2021/2022 (2020/2021: £12,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

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

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

Sharing personal data

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

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

How long will personal data be kept for?

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

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

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

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 33.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p><i>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</i></p>	<p>Details of the Company's investment objective, policy and strategy, including investment limits, are on pages 22 and 23.</p>
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 24 to 26 and in Note 18 to the Financial Statements on pages 68 to 74.</p>
Valuation of illiquid assets	<p>The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.</p>	<p>As at the date of this report, none of the Company's assets was subject to special arrangements arising from its illiquid nature.</p>

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to UK companies and currently holds derivative instruments. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 August 2021, actual leverage was 1.16 for the Gross Method and 1.11 for the Commitment Method.</p>
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 71.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B); and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page

EU Securities Financing Transactions Regulations ("SFTR")

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

As at 31 August 2021, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
HSBC Bank plc (UK)	(1,385)	(0.15%)	850	-
UBS AG (UK)	2	0.00%	-	40
J.P. Morgan plc (UK)	192	0.02%	1,270	-
Goldman Sachs International Ltd (UK)	(2)	0.00%	-	-

Collateral held by the Broker was denominated in US dollars and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 August 2021 from CFDs was a gain of £63,544,000.

Glossary of Terms

AAF Report

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

AIC

The Association of Investment Companies ("AIC"). The Company is a member of the AIC.

AIF

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

AIFM

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

AIFMD

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

Alternative Performance Measures

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

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

Asset Exposure

The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of derivatives).

Benchmark Index

FTSE All-Share Index against which the performance of the Company is measured.

Block Listing

A facility that allows the Company to issue new ordinary shares to meet demand in the market over a period of time.

Capital Gains Tax (CGT)

The tax you may have to pay if you sell your shares at a profit.

Collateral

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

Contract for Difference (CFD)

A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial

instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received.

Corporation Tax

The UK tax the Company may have to pay on its profits. As an investment trust company, the Company is exempt from UK corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income, and consequently it is tax efficient for the Company.

Custodian

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

Depository

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

Derivatives

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

Discount

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

Fair Value

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

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

Fidelity International and Fidelity

FIL Limited and its subsidiary group companies including FIL Investment Services (UK) Limited and FIL Investments International which act as AIFM, Secretary and Investment Manager.

Futures

Agreements to buy or sell a stated amount of an asset at a specific future date and a pre-agreed price.

Gearing

The economic exposure of the portfolio to its underlying assets in excess of total net assets. It represents the additional exposure to the market above Shareholders' Funds. The Company uses two measures of gearing:

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

Gross Asset Exposure

The value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the derivatives.

Gross Gearing

Gross Asset Exposure in excess of Shareholders' funds.

Hedging

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

Investment Manager

FIL Investments International.

Manager

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

Net Assets or Net Asset Value (NAV)

Sometimes also described as "Shareholders' funds", net assets represent the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the net asset value on a per ordinary share basis.

Net Asset Value per Ordinary Share

The net asset value divided by the number of ordinary shares in issue.

Net Gearing

Net Market Exposure in excess of Shareholders' funds.

Net Market Exposure

Net Market Exposure is the total of all long exposures, less short exposures and less exposures hedging the portfolio.

Ongoing Charges

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

Options

An option is a contract which gives the right but not the obligation to buy or sell an underlying asset at an agreed price on or before an agreed date. Options may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

Portfolio Manager

Alex Wright is the appointed Portfolio Manager of the Company and is responsible for managing the Company's assets.

Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held to existing Shareholders. At each Annual General Meeting, the Board seeks Shareholder approval to disapply pre-emption rights provision, up to 10% of the Company's issued share capital.

Premium

If the share price of the Company is higher than the net asset value per ordinary share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value per ordinary share.

Registrar

An entity that manages the Company's Shareholder register. The Company's Registrar is Link Group.

Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares. It is not distributable by way of dividend and it cannot be used to fund share repurchases.
- **Capital redemption reserve** maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.
- **Other non-distributable reserve** represents amounts transferred from the warrant reserve. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

Glossary of Terms continued

- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund repurchases and issuance of shares from Treasury and it is distributable by way of dividend.
- **Revenue reserve** represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

Return

The return generated in a given period from investments:

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

Shareholders' Funds

Shareholders' funds are also described as net asset value and represent the total value of the Company's assets less the total value of its liabilities as shown in the balance sheet.

Total return performance

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

Treasury Shares

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

To find out more about Fidelity Special Values PLC, visit our new website www.fidelity.co.uk/specialvalues where you can read articles and watch videos on the Company.

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