

# Fidelity European Values PLC

Half-Yearly report for the 6 months ended 30 June 2017



**Fidelity**  
INTERNATIONAL

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# Investment Objective and Performance

The investment objective of the Company is to achieve long term capital growth principally from the stockmarkets of continental Europe.

Six months ended 30 June 2017

Net Asset Value ("NAV")  
per Ordinary Share total  
return

**+13.6%**

30 June 2016: +7.6%

Share Price total return

**+21.4%**

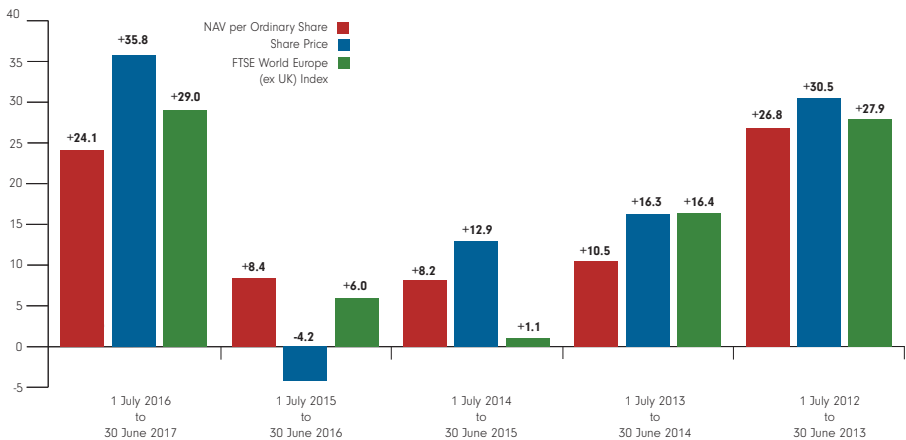
30 June 2016: -3.8%

Benchmark Index – FTSE  
World Europe (ex UK)  
Index total return

**+13.0%**

30 June 2016: +4.8%

## Standardised Performance total return (%)



Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Financial Summary

	<b>30 June 2017</b>	31 December 2016
<b>Assets</b>		
Total Portfolio Exposure <sup>1</sup>	<b>£1,010.5m</b>	£901.5m
Shareholders' Funds	<b>£975.2m</b>	£875.4m
Total Portfolio Exposure in excess of Shareholders' Funds (Gearing – see page 9)	<b>3.6%</b>	3.0%
NAV per Ordinary Share (cum-income)	<b>234.88p</b>	210.75p
NAV per Ordinary Share (ex-income)	<b>230.58p</b>	206.41p
<b>Share Price and Discount data</b>		
Share price at period end	<b>218.00p</b>	183.50p
Discount (ex-income) at period end	<b>5.5%</b>	11.1%
Discount (cum-income) at period end	<b>7.2%</b>	12.9%
<b>Results for the six months ended 30 June – see pages 10 and 11</b>		
	<b>2017</b>	2016
Revenue return per Ordinary Share	<b>4.30p</b>	4.17p
Capital return per Ordinary Share	<b>23.99p</b>	9.46p
Total return per Ordinary Share	<b>28.29p</b>	13.63p
<b>Total returns (includes reinvested income) for the six months ended 30 June</b>		
	<b>2017</b>	2016
NAV per Ordinary Share	<b>+13.6%</b>	+7.6%
Share price	<b>+21.4%</b>	-3.8%
FTSE World Europe (ex UK) Index <sup>2</sup>	<b>+13.0%</b>	+4.8%

<sup>1</sup> The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference

<sup>2</sup> The Company's Benchmark Index

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Portfolio Manager's Half-Yearly Review



**Sam Morse,**  
Portfolio Manager

## Performance Review

During the six months ended 30 June 2017, the net asset value ("NAV") total return was 13.6% compared to a total return of 13.0% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was 21.4%, which is significantly above the NAV total return as a consequence of a narrowing in the share price discount to NAV. (All figures in UK sterling.)

## Performance over one, three and five years and since launch to 30 June 2017 (on a total return basis) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+24.1	+35.8	+29.0
Three years	+45.5	+46.8	+38.4
Five years	+103.9	+122.9	+105.9
Since launch (1991)	+2,975.7	+2,813.7	+926.0

## Analysis of change in NAV for the six months ended 30 June 2017 (%)

### Impact of:

Index	+9.9
Exchange Rate	+3.1
Gearing	+0.3
Stock Selection	+0.8
Expenses	-0.5

## NAV total return for the six months ended 30 June 2017 **+13.6**

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

## Market Review

Investors in continental European markets enjoyed strong returns in the first half of the year. Although markets peaked in May, as they often do, unsettled by talk of central bank tightening and some frustration at delays in the Trump programme for reform, they gave up only a fraction of the gains made.

The main political event of the period was the Presidential elections in France. Ahead of the first round of voting there was some concern that if one of the candidates from the extreme left or right of the national political spectrum was elected, then stock markets would take fright. French equities performed relatively poorly as the date approached. However, as it turned out, the electorate swung decisively behind a new political broom: Emmanuel Macron and his "En Marche!" party. This led many investors to believe that, at last, after a long period of gloom and doom-mongering regarding France, the prospects for the European Union and for the Eurozone, a brighter outlook might emerge. The euro consequently appreciated against the dollar and other currencies, including sterling.

# Portfolio Manager's Half-Yearly Review continued

Returns from sectors were mixed. The energy sector performed relatively poorly in the first six months of 2017, as the long term outlook for the oil price softened on the evidence of the growing efficiency of US shale production and despite OPEC's agreement to extend production cuts for a further nine months. Returns from other sectors were dominated by the individual fortunes of component companies. The consumer staples sector, for example, benefited from an audacious approach by the smaller Kraft Heinz to buy Unilever and by activist interest in Nestlé. The banking sector offered up many strong performances as analysts welcomed an improvement in the European economy and anticipated an easing in regulatory pressures. Towards the end of the period, Banco Santander and Intesa Sanpaolo both participated in consolidation deals, respectively in Spain and Italy, to take over the better parts of weaker banks that had continued to suffer from the legacy of the great financial crisis. These deals to strengthen the banking systems of Southern Europe were welcomed by investors as a boost for the acquiring banks but also as a tonic for the health of those economies.

## Portfolio Manager's Report

The Company's NAV rose more than the Benchmark index over the reporting period.

The biggest positive contributor was 3i Group which continued to enjoy a re-appraisal by the market given the on-going success of its main asset, Action, the European discount retailer. Action is delivering consistently strong like-for-like growth in its Benelux base while also expanding aggressively into new territories, in particular France and Germany.

Christian Dior was also a very strong performer on the news that the company's majority shareholder was making an offer, at a significant premium, to buy out those shares not already

held, in exchange for cash and shares owned in another luxury goods company, Hermes International.

As previously mentioned, the energy sector suffered given the lowering of longer term oil price expectations. This resulted in the portfolio's two holdings in this sector, Royal Dutch Shell and Total, being the largest negative contributors during the reporting period. This was despite relatively encouraging quarterly results which demonstrated that both companies are addressing their cost bases and capital spending plans to enable greater cash generation which should ultimately enable both companies to sustain and, in future years, grow dividends from an attractive level of yield. The lower oil price in the short term will, in the opinion of your Portfolio Manager, continue to sharpen these companies' focus on returns.

Most of the Company's holdings in France performed well following Macron's election as President but one company, Societe Bic, was a major disappointment following weak quarterly results. The company appears to be facing structural pressures in its disposable shavers business but your Portfolio Manager believes that weakness in stationery and lighters will prove temporary and that the valuation of the group as a whole does not reflect the long term growth prospects and resilience of the business.

## Gearing

The Company continues to gear through the use of long contracts for difference ("CFDs"). As at 30 June 2017, the level of gearing was 3.6% (31.12.16: 3.0%; and 30.06.16: 4.1%). In the six month period, gearing made a positive contribution to performance. The Board monitors the level of gearing and the use of derivative instruments carefully and has set a risk control framework for this purpose.

## Outlook

The market is highly valued, relative to historical norms, and expectations for future earnings growth are also high. This can be a risky combination! The good news, however, is that earnings are currently growing in double-digits year on year and bond yields have, to date, remained supportive to equity valuations.

Central bankers, at the recent gathering at Sintra in Portugal, seem to be signalling more normalisation in monetary policy in the coming months. This has resulted in some upward pressure on bond yields with a consequent negative impact on equities which may continue to restrain market progress. Politics remain unpredictable. There are some big elections on the horizon in continental Europe, most notably in Germany this autumn and Italy early next year. The latter is seen as more of a risk to confidence in Europe but the last year shows that a strengthening European economy, which we are seeing, albeit from a low base, can trump political worries in equity markets. Many investors are concerned that the recent lack of volatility will prove the calm before the storm. It is, however, difficult to predict what will upset the apple cart. The conventional list of suspects includes Trump's protectionism, China tightening its monetary policy and geopolitical shocks. The ultimate driver of markets, in aggregate and specifically, is more prosaic: the real dividend growth of companies. Your Portfolio Manager remains focused, therefore, on attractively valued companies, with sound finances, which can grow dividends consistently over the next three to five years.

By order of the Board

**FIL Investments International**

28 July 2017

# Interim Management Report

## Board Changes

As previously reported, Paul Yates joined the Board on 6 March 2017 following which Simon Fraser stepped down from the Board at the Annual General Meeting on 15 May 2017 after serving as a Director for fifteen years. The Board thanks him for his invaluable contribution to the Company.

The Board is also pleased to confirm that Fleur Meijs will join the Board as a non-executive Director on 1 September 2017. Ms Meijs is a continental European national and a Chartered Accountant and a former Financial Services Partner at PricewaterhouseCoopers LLP. She is a non-executive Director of Invesco Asia Trust plc, a Director of Bridge to the Future, the endowment fund for UWC (United World College) Mostar and a Member of the Advisory Council for the British Museum Friends. She was also a member of the Dutch Parliamentary committee in 2013 for the structure of banks in the Netherlands.

## Discount Management and Treasury Shares

The Board continues to adopt an active discount management policy. Whilst the primary purpose of this policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to the NAV per ordinary share. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them altogether. These shares are then available for re-issue at a premium to NAV, facilitating the management of and enhancing liquidity in the Company's shares. As a result of the widening of the discount in the first quarter of this year, the Company repurchased 150,000 ordinary shares into Treasury. Since the end of the reporting period and as at the date of this report, the Company has not repurchased any further ordinary shares.

## Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks faced by the Company.

The Board considers that the principal risks and uncertainties faced by the Company fall into the following categories: market risk; performance risk; economic and political risk; discount control risk; gearing risk; derivatives risk; cybercrime risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2016 which can be found on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

These risks and uncertainties have not materially changed during the six months to 30 June 2017 and are equally applicable to the remaining six months of the Company's financial year.

## Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager (the "Manager") and has delegated the Company's portfolio management and the role of the Company Secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 12 to the Financial Statements on page 21.

## Going Concern

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



Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Continuation votes are held every two years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2019.

By order of the Board

**FIL Investments International**

28 July 2017

### **Directors' Responsibility Statement**

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard, FRS 104: Interim Financial Reporting; and
- b) the Interim Management Report, together with the Portfolio Manager's Half-Yearly Review on pages 3 to 5, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

The Half-Yearly Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 28 July 2017 and the above responsibility statement was signed on its behalf by Vivian Bazalgette, Chairman.

# Twenty Largest Holdings

as at 30 June 2017

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and long CFDs. The Fair Values measure the actual value on the Balance Sheet.

Shares and long CFDs	Portfolio Exposure £'000	Portfolio Exposure % <sup>1</sup>	Portfolio Fair Value £'000
<b>Nestlé</b> Packaged food	65,846	6.8	65,846
<b>Roche</b> Pharmaceuticals	50,069	5.1	50,069
<b>Sanofi (CFD)</b> Pharmaceuticals	39,480	4.0	2,480
<b>Total</b> Oil and gas	35,556	3.6	35,556
<b>Novo-Nordisk</b> Healthcare services	34,348	3.5	34,348
<b>Intesa Sanpaolo (preference shares and ordinary shares)</b> Banks	32,023	3.3	32,023
<b>L'Oreal</b> Personal goods	31,736	3.3	31,736
<b>Sap</b> Software	31,696	3.2	31,696
<b>Sampo</b> Non-life insurance	29,133	3.0	29,133
<b>Deutsche Boerse</b> Financial services	27,651	2.8	27,651
<b>3i Group</b> Financial services	26,369	2.7	26,369
<b>ABN Amro Group</b> Banks	26,177	2.7	26,177
<b>KBC Groupe</b> Financial services	24,984	2.6	24,984
<b>Fresenius Medical Care</b> Healthcare services	24,519	2.5	24,519
<b>Iliad Group</b> Software	23,023	2.4	23,023
<b>Symrise</b> Chemicals	22,664	2.3	22,664

	Portfolio Exposure £'000	Portfolio Exposure % <sup>1</sup>	Portfolio Fair Value £'000
<b>Shares and long CFDs</b>			
<b>Royal Dutch Shell</b>			
Oil and gas	22,573	2.3	22,573
<b>DNB</b>			
Banks	22,445	2.3	22,445
<b>Legrand</b>			
Electronic and electrical equipment	22,278	2.3	22,278
<b>Amadeus IT Group</b>			
Support Services	21,234	2.2	21,234
<b>Twenty largest exposures</b>	<b>613,804</b>	<b>62.9</b>	<b>576,804</b>
<b>Other holdings</b>	<b>396,670</b>	<b>40.7</b>	<b>386,856</b>
<b>Total Portfolio Exposure<sup>2</sup></b>	<b>1,010,474</b>	<b>103.6</b>	
<b>Total Portfolio Fair Value<sup>3</sup></b>			<b>963,660</b>
Net current assets excluding long CFDs			11,551
<b>Shareholders' Funds (per the Balance Sheet on page 14)</b>			<b>975,211</b>

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

2 Total Portfolio Exposure comprises £961,022,000 of market exposure to Investments plus £49,452,000 of market exposure to long CFDs.

3 Total Portfolio Fair Value comprises investments in shares £961,022,000 plus long CFD derivative instrument assets £2,742,000 less long CFD derivative instrument liabilities £104,000 (per the Balance Sheet on page 14).

## Gearing

as at 30 June 2017

	Portfolio Exposure 30 June 2017 £'000	Portfolio Exposure 31 December 2016 £'000
<b>Shares and long CFDs</b>		
Investments	961,022	862,747
Derivative instruments - long CFDs	49,452	38,785
<b>Total Portfolio Exposure</b>	<b>1,010,474</b>	<b>901,532</b>
<b>Shareholders' Funds</b>	<b>975,211</b>	<b>875,351</b>
<b>Gearing</b>	<b>3.6%</b>	<b>3.0%</b>

# Income Statement

for the six months ended 30 June 2017

		Six months ended 30 June 2017 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments		–	96,378	96,378
Gains/(losses) on derivative instruments		–	3,248	3,248
Income	4	23,701	–	23,701
Investment management fees	5	(3,961)	–	(3,961)
Other expenses		(391)	–	(391)
Foreign exchange (losses)/gains		–	(5)	(5)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>19,349</b>	<b>99,621</b>	<b>118,970</b>
Finance costs		–	–	–
<b>Net return on ordinary activities before taxation</b>		<b>19,349</b>	<b>99,621</b>	<b>118,970</b>
Taxation on return on ordinary activities	6	(1,498)	–	(1,498)
<b>Net return on ordinary activities after taxation for the period</b>		<b>17,851</b>	<b>99,621</b>	<b>117,472</b>
<b>Return per ordinary share</b>	7	<b>4.30p</b>	<b>23.99p</b>	<b>28.29p</b>

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

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

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

Six months ended 30 June 2016 unaudited			Year ended 31 December 2016 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	41,199	41,199	-	114,211	114,211
-	(1,895)	(1,895)	-	(1,502)	(1,502)
21,962	-	21,962	27,006	-	27,006
(3,262)	-	(3,262)	(6,972)	-	(6,972)
(423)	-	(423)	(919)	-	(919)
(8)	64	56	-	6	6
18,269	39,368	57,637	19,115	112,715	131,830
-	-	-	-	-	-
18,269	39,368	57,637	19,115	112,715	131,830
(915)	-	(915)	(1,053)	-	(1,053)
17,354	39,368	56,722	18,062	112,715	130,777
4.17p	9.46p	13.63p	4.34p	27.10p	31.44p

# Statement of Changes in Equity

for the six months ended 30 June 2017

	Note	share capital £'000
<b>Six months ended 30 June 2017 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2016</b>		<b>10,411</b>
Net return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	8	-
Repurchase of ordinary shares		-
<b>Total shareholders' funds at 30 June 2017</b>		<b>10,411</b>
<b>Six months ended 30 June 2016 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2015</b>		<b>10,411</b>
Net return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	8	-
Repurchase of ordinary shares		-
<b>Total shareholders' funds at 30 June 2016</b>		<b>10,411</b>
<b>Year ended 31 December 2016 (audited)</b>		
<b>Total shareholders' funds at 31 December 2015</b>		<b>10,411</b>
Net return on ordinary activities after taxation for the year		-
Dividend paid to shareholders	8	-
Repurchase of ordinary shares		-
<b>Total shareholders' funds at 31 December 2016</b>		<b>10,411</b>

share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
58,615	5,414	775,588	25,323	875,351
-	-	99,621	17,851	117,472
-	-	-	(17,320)	(17,320)
-	-	(292)	-	(292)
58,615	5,414	874,917	25,854	975,211
58,615	5,414	664,735	21,129	760,304
-	-	39,368	17,354	56,722
-	-	-	(13,868)	(13,868)
-	-	(547)	-	(547)
58,615	5,414	703,556	24,615	802,611
58,615	5,414	664,735	21,129	760,304
-	-	112,715	18,062	130,777
-	-	-	(13,868)	(13,868)
-	-	(1,862)	-	(1,862)
58,615	5,414	775,588	25,323	875,351

# Balance Sheet

as at 30th June 2017

Company number 2638812

	Notes	30 June 2017 unaudited £'000	30 June 2016 unaudited £'000	31 December 2016 audited £'000
<b>Fixed assets</b>				
Investments held at fair value through profit or loss	9	961,022	792,106	862,747
<b>Current assets</b>				
Derivative instruments	9	2,742	271	-
Debtors		5,454	5,566	3,557
Amounts held at futures clearing houses and brokers		-	2,901	1,382
Fidelity Institutional Liquidity Fund		4,004	937	6,283
Cash at bank		4,403	4,373	4,003
		16,603	14,048	15,225
<b>Creditors</b>				
Derivative instruments	9	(104)	(1,488)	(577)
Other creditors		(2,310)	(2,055)	(2,044)
		(2,414)	(3,543)	(2,621)
<b>Net current assets</b>		14,189	10,505	12,604
<b>Net assets</b>		975,211	802,611	875,351
<b>Capital and reserves</b>				
Share capital	10	10,411	10,411	10,411
Share premium account		58,615	58,615	58,615
Capital redemption reserve		5,414	5,414	5,414
Capital reserve		874,917	703,556	775,588
Revenue reserve		25,854	24,615	25,323
<b>Total shareholders' funds</b>		975,211	802,611	875,351
<b>Net asset value per ordinary share</b>	11	234.88p	192.89p	210.75p



# Notes to the Financial Statements

## 1 Principal activity

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

## 2 Publication of non-statutory accounts

The Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2016 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

## 3 Basis of preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2016.

# Notes to the Financial Statements continued

## 4 Income

	<b>Six months ended 30.06.17 unaudited £'000</b>	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
<b>Investment income</b>			
Overseas dividends	<b>18,830</b>	17,764	20,708
Overseas scrip dividends	<b>2,345</b>	2,079	3,114
UK dividends	<b>874</b>	993	1,379
UK scrip dividends	<b>290</b>	-	458
	<b>22,339</b>	20,836	25,659
<b>Derivative income</b>			
Dividends received on long CFDs	<b>1,329</b>	1,098	1,284
Interest received on long CFDs*	<b>22</b>	8	26
	<b>1,351</b>	1,106	1,310
<b>Investment and derivative income</b>	<b>23,690</b>	21,942	26,969
<b>Other interest</b>			
Interest received on bank deposits and money market funds	<b>11</b>	20	35
Interest received on tax reclaims	<b>-</b>	-	2
	<b>11</b>	20	37
<b>Total income</b>	<b>23,701</b>	21,962	27,006

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

## 5 Investment management fees

	<b>Six months ended 30.06.17 unaudited £'000</b>	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
Investment management fees	<b>3,961</b>	3,262	6,972

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. FIL charges investment management fees at an annual rate of 0.85% of net assets. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

## 6 Taxation on return on ordinary activities

	<b>Six months ended 30.06.17 unaudited £'000</b>	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
Overseas taxation suffered	<b>3,311</b>	2,481	2,903
Overseas taxation recovered	<b>(1,813)</b>	(1,566)	(1,850)
<b>Total taxation charge for the period</b>	<b>1,498</b>	915	1,053

# Notes to the Financial Statements continued

## 7 Return per ordinary share

	<b>Six months ended 30.06.17 unaudited</b>	Six months ended 30.06.16 unaudited	Year ended 31.12.16 audited
Revenue return per ordinary share	<b>4.30p</b>	4.17p	4.34p
Capital return per ordinary share	<b>23.99p</b>	9.46p	27.10p
<b>Total return per ordinary share</b>	<b>28.29p</b>	13.63p	31.44p

The return per ordinary share is based on the net return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue held outside Treasury during the period.

	<b>£'000</b>	£'000	£'000
Net revenue return on ordinary activities after taxation	<b>17,851</b>	17,354	18,062
Net capital return on ordinary activities after taxation	<b>99,621</b>	39,368	112,715
Net total return on ordinary activities after taxation	<b>117,472</b>	56,722	130,777
	<b>number</b>	<b>number</b>	<b>number</b>
Weighted average number of ordinary shares in issue during the period	<b>415,274,276</b>	416,365,665	415,946,054

## 8 Dividends paid to shareholders

	<b>Six months ended 30.06.17 unaudited £'000</b>	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
Final dividend of 4.17 pence per Ordinary Share paid for the year ended 31 December 2016	<b>17,320</b>	-	-
Final dividend of 3.33 pence per Ordinary Share paid for the year ended 31 December 2015	-	13,868	13,868
	<b>17,320</b>	13,868	13,868

No dividend has been declared in respect of the six months ended 30 June 2017.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	30 June 2017 unaudited		30 June 2016 unaudited		31 December 2016 audited	
	level 1	level 2	level 1	level 2	level 1	level 2
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets at fair value</b>						
Investments	<b>961,022</b>	-	792,106	-	862,747	-
Derivative instruments	-	<b>2,742</b>	-	271	-	-
	<b>961,022</b>	<b>2,742</b>	792,106	271	862,747	-
<b>Financial liabilities at fair value</b>						
Derivative instruments	-	<b>(104)</b>	-	(1,488)	-	(577)

# Notes to the Financial Statements continued

## 10 Share capital

	30 June 2017 unaudited		30 June 2016 unaudited		31 December 2016 audited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
<b>Ordinary shares of 2.5 pence each – issued, allotted and fully paid</b>						
<b>Held outside Treasury</b>						
<b>Beginning of the period</b>	<b>415,352,177</b>	<b>10,384</b>	416,447,910	10,411	416,447,910	10,411
Ordinary shares repurchased and transferred into Treasury	(150,000)	(4)	(339,736)	(8)	(1,095,733)	(27)
<b>End of the period</b>	<b>415,202,177</b>	<b>10,380</b>	416,108,174	10,403	415,352,177	10,384
<b>Held in Treasury*</b>						
<b>Beginning of the period</b>	<b>1,095,733</b>	<b>27</b>	-	-	-	-
Ordinary shares repurchased and held in Treasury	150,000	4	339,736	8	1,095,733	27
<b>End of the period</b>	<b>1,245,733</b>	<b>31</b>	339,736	8	1,095,733	27
<b>Total share capital</b>		<b>10,411</b>		10,411		10,411

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

## 11 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of £975,211,000 (30 June 2016: £802,611,000 and 31 December 2016: £875,351,000) and on 415,202,177 ordinary shares (30 June 2016: 416,108,174 and 31 December 2016: 415,352,177), being the number of ordinary shares of 2.5 pence each held outside Treasury in issue at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

## 12 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 fee arrangements are given in Note 5.

During the period management fees of £3,961,000 (six months ended 30 June 2016: £3,262,000 and year ended 31 December 2016: £6,972,000) were payable to FIL. At the Balance Sheet date management fees of £2,065,000 (30 June 2016: £1,659,000 and 31 December 2016: £1,848,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £65,000 (six months ended 30 June 2016: £102,000 and year ended 31 December 2016: £229,000). At the Balance Sheet date marketing services of £27,000 (30 June 2016: £25,000 and 31 December 2016: £21,000) were accrued and included in other creditors.

As at 30 June 2017, the Board consisted of five non-executive Directors (as shown in the Directory on page 23), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £37,500, the Audit Committee Chairman an annual fee of £28,000 and each other Director an annual fee of £24,000. The following members of the Board held shares in the Company: Vivian Bazalgette 30,000 ordinary shares, James Robinson 30,000 ordinary shares, Robin Niblett 15,000 ordinary shares, Marion Sears 21,020 ordinary shares and Paul Yates 32,000 ordinary shares.

# Shareholder Information

## Investing in Fidelity European Values PLC

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

## Contact information

**Existing shareholders** should contact the appropriate administrator using the contact details below. This may be Capita Asset Services, the Company's Registrar, or Fidelity, or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

## Holders of ordinary shares on the main share register

Capita Asset Services, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales).

Email: [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)

Details of individual shareholdings and other information can also be obtained from the Registrars' website: [www.signalshares.com](http://www.signalshares.com).

## Fidelity Platform Investors

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

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

**Private investors:** call free on **0800 41 41 10**, 9.00am to 6.00pm, Monday to Saturday.

**Financial advisers:** call free on **0800 41 41 81**, 8.00am to 6.00pm, 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: **01732 36 11 44**. Email: [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)

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

## Financial Calendar

30 June 2017	Half-Yearly period end
July 2017	Announcement of Half-Yearly results
August 2017	Publication of Half-Yearly Report
31 December 2017	Financial year end
March 2018	Publication of Annual Report
May 2018	Annual General Meeting



# Directory

## Board of Directors

Vivian Bazalgette (Chairman)  
James Robinson (Chairman of the Audit Committee and Senior Independent Director)  
Robin Niblett  
Marion Sears  
Paul Yates

## Alternative Investment Fund Manager (AIFM/Manager)

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

## Portfolio Manager, Secretary and Registered Office

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

## Banker and Custodian

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

## Depository

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

## Financial Advisor and Stockbroker

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

## Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

## Lawyer

Charles Russell Speechlys LLP  
5 Fleet Street  
London  
EC4M 7RD

## Registrar

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

# Glossary of Terms

## AIF

Alternative Investment Fund. The Company is an AIF.

## AIFM

Alternative Investment Fund Manager. 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 is a European Union Directive implemented on 22 July 2014.

## Benchmark Index

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

## Contract For Difference (CFD)

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

## Custodian

An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting

and corporate actions. The Company's [Custodian](#) is JPMorgan Chase Bank.

## Depository

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

## Derivatives

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

## Discount

If the share price of the Company is lower than the [net asset value](#) per share, the Company is said to be trading at a [discount](#). The [discount](#) is shown as a percentage of the [net asset value](#). The opposite of a [discount](#) is a [premium](#). It is more common for an investment trust to trade at a [discount](#) than a [premium](#).

## Fair Value

The [fair value](#) is the best estimate of the value of the investments, including [derivatives](#), at a point in time. This is measured as:

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

## Futures

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

## Gearing

**Gearing** describes the level of the Company's exposure and is expressed as a percentage of **shareholders' funds**. It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts and **derivatives**, in order to increase the Company's exposure to market price movements. The Company uses two measures of **gearing**:

- **Gross gearing** which is the total of: long exposures, plus short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **shareholders' funds**; and
- **Net gearing** which is the total of: long exposures, less short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **shareholders' funds**.

## Gross Asset Exposure

**Gross Asset Exposure** measures the exposure to market price movements as a result of owning shares, **derivative** instruments and fixed-interest securities.

## Hedging

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

## Investment Manager

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

## Manager

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

## Net Asset Value (NAV)

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

## NAV per Share (cum-income)

The **net asset value** per share including the net revenue on ordinary activities after taxation for the period, as shown in the revenue column of the Income Statement.

## NAV per Share (ex-income)

The **net asset value** per share excluding the net revenue on ordinary activities after taxation for the period.

## 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, for example, the purchase of a call **option** provides exposure to the upside potential of an underlying stock, with the downside risk being limited to the premium paid.

## Portfolio Exposure

**Portfolio Exposure** measures the value of the portfolio exposed to market price movements as a result of owning shares and **contracts for difference**.

# Glossary of Terms continued

## Portfolio Manager

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

## Premium

If the share price of the Company is higher than the [net asset value](#) per 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](#). The opposite of a [premium](#) is a [discount](#).

## Registrar

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

## Return

The [return](#) generated in a given period from the 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.

## Total Return Performance

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

total return) or the Company's assets (for [net asset value](#) total return).

## Treasury Shares

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





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