

# FIDELITY SPECIAL VALUES PLC

## Preliminary announcement of unaudited Half-Yearly results for the six months ended 28 February 2013

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### Investment Objective and Highlights

**The investment objective of the Company is to achieve long term capital growth from an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange.**

#### Total Return %

	Six months to 28 February 2013
Net Asset Value ("NAV") per share	+22.3%
Share price	+29.5%
FTSE All-Share Index <sup>1</sup>	+14.2%

<sup>1</sup> The Company's Benchmark Index

#### Standardised Performance Total Return %

	01/03/12 to 28/02/13	01/03/11 to 29/02/12	01/03/10 to 28/02/11	01/03/09 to 28/02/10	01/03/08 to 28/02/09
NAV per share	+26.8	-4.8	+14.9	+54.2	-31.0
Share price	+29.8	-7.2	+13.0	+54.1	-29.6
FTSE All-Share Index	+14.1	+1.5	+17.0	+47.3	-33.0

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

# Financial Summary

	28 February 2013	31 August 2012
<b>Assets</b>		
Shareholders' funds	£405.3m	£338.6m
NAV per share	746.10p	622.71p
Number of ordinary shares of 25 pence each	54,328,896	54,378,896
<b>Share price and discount data</b>		
Share price at period end	667.00p	527.00p
Share price period high	673.00p	543.50p
Share price period low	523.00p	442.25p
Discount at period end <sup>1</sup>	10.1%	13.5%
Discount period high <sup>1</sup>	15.0%	14.9%
Discount period low <sup>1</sup>	8.8%	8.7%
<b>Total returns (included reinvested income) for the six months to end February</b>	<b>2013</b>	<b>2012</b>
NAV per share	+22.3%	+10.9%
Share price	+29.5%	+9.0%
FTSE All-Share Index	+14.2%	+10.3%

<sup>1</sup> Discount is stated on an ex-income basis

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

## Chairman's Statement

### RESULTS FOR THE SIX MONTHS TO

28 FEBRUARY 2013

NAV PER SHARE: +22.3%

SHARE PRICE: +29.5%

BENCHMARK INDEX: +14.2%

(TOTAL RETURN)

Over the six month period under review the Net Asset Value ("NAV") total return of the Company grew by 22.3% against the total return of the FTSE All-Share Index (Benchmark Index) of 14.2%. The share price performance of the Company was 29.5%.

It is now six months since the Board of Special Values PLC appointed Alex Wright as Portfolio Manager, and I am pleased to report that this first semi-annual period has seen a strong performance in terms of both share price and NAV appreciation. Alex spent the first weeks of his tenure repositioning the portfolio in line with his views on the market. While Alex and the previous portfolio manager, Sanjeev Shah, broadly share the investment philosophy of the value manager, favouring unloved stocks and sectors, around two thirds of the portfolio was restructured to reflect Alex's beliefs that some of the best opportunities for absolute performance exist in the mid and small cap end of the market, and in those unloved stocks that have mitigated downside risk. Under Sanjeev's management, medium sized and smaller companies played a modest role in the portfolio, but it was the wish of the Board to make increased use of the Company's closed ended structure and have increased flexibility across the market spectrum. Alex has an excellent track record of finding undervalued stocks in this part of the market and the first six months of his tenure has been very encouraging.

Total return (%)	1 year	3 years	5 years	Since launch
NAV per share	+26.8	+38.7	+47.5	+874.4
Share price	+29.8	+36.2	+47.8	+792.1
FTSE All-Share Index	+14.1	+35.5	+33.8	+286.2

The attribution analysis of the Company's NAV per share return for the six months to 28 February 2013 is detailed in the table below.

Attribution Analysis	pence
<b>NAV as at 31 August 2012</b>	<b>622.71</b>
Impact of Index (ungeared) <sup>1</sup>	+92.88
Impact of Portfolio Management <sup>1</sup>	+59.86
Impact of other Derivatives <sup>2</sup>	-10.58
Operational Costs	-4.14
Share Repurchases	+0.07
Cash and Residual	+0.57
<b>NAV (total return)</b>	<b>761.37</b>
Dividend paid	-13.00
Impact of reinvestment of dividend paid	-2.27
<b>NAV as at 28 February 2013</b>	<b>746.10</b>

<sup>1</sup> Equities purchased via cash or long CFDs

<sup>2</sup> Futures and short CFDs

### GEARING

The Board continues to believe that using Contracts For Difference for gearing purposes provides more flexibility for the Company's requirements and at a much lower cost than traditional bank debt. As at 28 February 2013, the level of net gearing was 6.3%.

### SHARE REPURCHASES

During the six months to 28 February 2013, 50,000 ordinary shares were repurchased for cancellation.

### OUTLOOK

With markets having performed so strongly and sentiment becoming much more positive, it is natural for those with a contrarian disposition to become cautious. Indeed, with lingering problems in debt afflicted Europe and politically fractious United States, there remain risks to global macroeconomic performance, though undeniably these seem less threatening than they may have this time last year. The important thing for Alex is that he is still able to find undervalued stocks with downside protection and unrecognised growth options, and we can see that a number of new positions have been bought for the Company in recent weeks and months that fulfil these criteria. With the very smallest companies and the very largest companies in the market still trading on discounts to historic averages, and the market becoming more interested in company fundamentals, the medium and long term outlook for the Company's performance is encouraging.

**Lynn Ruddick**

Chairman

12 April 2013

## Manager's Half-Yearly Review

### RESULTS FOR THE SIX MONTHS TO 28 FEBRUARY 2013

NAV PER SHARE: +22.3%

SHARE PRICE: +29.5%

BENCHMARK INDEX: +14.2%

(TOTAL RETURN)

The Company achieved a positive return and outperformed the Benchmark Index, the FTSE All-Share Index, over the six months as the UK equity market rallied. The performance of the Company in the period has been very encouraging, delivering a NAV return of 22.3%, compared to 14.2% for the Benchmark Index.

This report seeks to explain the reasons for the performance over the review period.

### STOCK MARKET & PORTFOLIO REVIEW

The UK stock market recorded positive returns over the six months, rising by 14.2%. Investor sentiment was primarily aided by policy initiatives in major economies, which led to a marked easing in concerns about the financial markets. As a result, investors' perceptions of near-term risks diminished and their willingness to hold risky assets increased, leading to a significant rise in equity prices. However, concerns about the European sovereign debt problems remain, with Cyprus the latest country to come under scrutiny, while the fiscal issues in the US are lingering on. At a sector level, financials, most notably banks, were among the forefront of gainers as regulators' commitment to give banks four more years to build cash reserves helped the sector to rally. However, defensives such as pharmaceuticals, mobile telecommunications, tobacco and utilities contributed negatively to overall market performance, while commodity-related sectors also took a hit as Chinese demand faltered.

The UK economy is set for a slow but sustained recovery, aided by a further easing in credit conditions supported by the Bank of England's ("BoE") programme of funding for lending, and a tentative improvement in the global economy. GDP is estimated to have contracted by 0.3% in the fourth quarter of 2012, although this largely reflected an unwinding of the temporary boost from the Olympics. Over 2012 as a whole, GDP was broadly flat. Inflation remained stubbornly above the 2% target, although it has been stable in recent months. During the review period, the BoE maintained the size of its asset purchase programme at £375 billion and interest rates at 0.5%.

In terms of performance, the Company's NAV rose during the period, and outperformed the Benchmark Index. The increase in investor risk appetite led to greater focus on growth opportunities within the mid and small-cap segments, and in this environment, several of our key holdings across a variety of sectors made noteworthy contributions to returns. At a stock level, Lloyds Banking Group was a major contributor. Lloyds is a competitively strong retail franchise with an improving balance sheet and recovery potential. The holding in mortgage provider Paragon also rose as it acquired further unsecured consumer loans, which are expected to enhance earnings in the current financial year. Paragon also recently announced its intention to apply for a banking license, opening up interesting growth opportunities over the mid to long term.

Other notable contributors included tools and equipment for hire business Speedy Hire, which issued a confident outlook for annual earnings growth, and Electronics Arts, a US video game producer, which has a diversified portfolio and is exposed to the new cycle of console production beginning this year. The holding in catalogue home shopping firm N Brown also rose, on the back of encouraging half-yearly results, driven by growth in new customers and internet orders, which are now over 50% of the business. Irish health care services provider United Drug was another notable contributor, following a significant expansion in its service offering and geographic footprint, while broadcaster ITV benefited from a strong trading update marked by a slowdown in the pace of decline in advertising revenues.

However, some key portfolio holdings fell due to stock specific reasons. Notable among these was oil services firm Saipem which declined following the resignation of its CEO amid corruption charges and later an unexpected profit warning. Our position in AngoGold Ashanti detracted, partly due to a falling in gold prices as investors moved towards risk assets, and partly due to more stock specific factors. Overall, the portfolio remains very underweight in the materials and oil & gas sectors. The major overweights are in consumer services (which includes retail and media), industrials (particularly support services) and technology.

The Company had a number of short positions which were neutral for the Company's performance in relative terms, though detracted absolutely in a rising market. Additionally, the FTSE 250 hedge, a position I took out to hedge the Company's exposure to mid cap stocks, detracted as the market rose. However, these short positions allowed the Company to take extra exposure in its long book, which added to returns over the period.

### OUTLOOK

While some of the macro risks that weighed on investor sentiment last year have cleared somewhat, there are still uncertainties throughout the global economy. What I am more interested in is valuations, and our ability to identify stocks with an element of downside protection to their share price and unrecognised growth options. With the FTSE Small Cap Index still at a 16% discount to its average price to earnings ratio since 1998, despite the recent rally, there are still many stock specific valuation opportunities available among the smallest companies in the market. The FTSE 250 is now at a small premium to earnings ratio when compared to the average since 1998, so value investors may have to work a little harder to find real value in this part of the market. Indeed, I am cautious regarding the short to mid term performance of this part of the market, which I have expressed by selling a FTSE 250 future for the company, which hedges out some of its bias towards medium sized companies. I am confident that should markets continue to focus more on company fundamentals, my process of investing in unloved stocks with mitigated downside risk and unrecognised growth opportunities will add value for the Shareholders of Special Values.

Additionally, my bias towards mid and small caps will allow Special Values to exploit the inefficiencies in this area of the market, and to benefit from M&A activity. In a low GDP growth environment, large companies are forced to look outward if they want to grow or defend their positions. In 2012, a number of the Company's holdings were bought out by much larger rivals because they saw the good value that they

offered. I believe this theme can continue, and perhaps gather pace, into 2013.

**Alex Wright**  
Portfolio Manager  
12 April 2013

## **Principal Risks and Uncertainties and Going Concern**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into two broad categories. The first, external risks comprising of market, share price and discount risks and the second, internal risks comprising of investment management and governance, operational, financial, compliance, administration etc. Information on each of these risks is given in the Business Review section of the Annual Report for the year ended 31 August 2012.

### **GOING CONCERN**

The Board receives regular reports from the Manager and the Directors have a reasonable expectation 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 the financial statements as outlined in the Annual Report for the year ended 31 August 2012.

### **By order of the Board**

FIL Investments International

12 April 2013

## Directors' Responsibility Statement

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly financial report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- b) the Chairman's Statement and the Manager's Half-Yearly Review on pages 3 to 7 (constituting the interim management report) include a fair review of the information required by Rule 4.2.7R of the FSA's Disclosure and Transparency Rules and their impact on the condensed set of financial statements;
- c) a description of the principal risks and uncertainties and going concern for the remaining six months of the financial year are detailed on page 8; and
- d) in accordance with Disclosure and Transparency Rule 4.2.8R there have been no related parties transactions during the six months to 28 February 2013 and therefore nothing to report on any material effect by such a transaction on the financial position or the performance of the Company during that period; and there have been no changes in this position since the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

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

The Half-Yearly financial report was approved by the Board on 12 April 2013 and the above responsibility statement was signed on its behalf by Lynn Ruddick, Chairman.

## Twenty Largest Investments as at 28 February 2013

	Exposure £'000	Fair value 1 £'000	Exposure %2
Investments including derivatives			
<b>Sanofi</b>			
Pharmaceuticals & Biotechnology	23,558	2,456	5.5
<b>United Drug</b>			
Drug Retailers	19,304	6,776	4.5
<b>DCC</b>			
Industrial Goods & Services	18,772	3,675	4.4
<b>HSBC</b>			
Banks	18,677	18,677	4.3
<b>Brewin Dolphin</b>			
Financial Services	16,519	16,519	3.8
<b>Royal Dutch Shell</b>			
Oil & Gas Producers	15,236	15,236	3.5
<b>GlaxoSmithKline</b>			
Pharmaceuticals & Biotechnology	14,074	14,074	3.3
<b>WPP</b>			
Media	14,003	14,003	3.3
<b>SSE</b>			
Electricity	13,425	13,425	3.1
<b>Cable &amp; Wireless Communications</b>			
Fixed Line Telecommunications	13,307	13,307	3.1
<b>Electronic Arts</b>			
Software & Computer Services	12,901	12,901	3.0
<b>Micro Focus International</b>			
Software & Computer Services	12,868	12,868	3.0
<b>Kcom Group</b>			
Fixed Line Telecommunications	11,593	11,593	2.7
<b>Paragon Group</b>			
Financial Services	10,689	10,689	2.5
<b>Google</b>			
Software & Computer Services	10,473	10,473	2.4
<b>Lloyds Banking Group</b>			
Banks	10,431	10,431	2.4
<b>Resolution</b>			
Life Insurance	10,297	10,297	2.4
<b>BP</b>			
Oil & Gas Producers	9,988	9,988	2.3
<b>Barclays</b>			
Banks	9,256	9,256	2.1
<b>Origin Enterprises</b>			
Food Producers	9,056	1,689	2.1
<b>Twenty Largest Investments including derivatives</b>	<b>274,427</b>	<b>218,333</b>	<b>63.7</b>
<b>Other Investments including derivatives</b>	<b>156,421</b>	<b>181,695</b>	<b>36.3</b>
<b>Total Investments including derivatives</b>	<b>430,848</b>	<b>400,028</b>	<b>100.0</b>

As at 28 February 2013, the Company had exposure to a short FTSE 250 Index future with a fair value of -£4,048,000 (notional contract value: £47,462,000).

1 Fair value recognised in the Balance Sheet on page 16 is measured as:

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

2 % based on net exposure which is the fixed asset investments at fair value plus the economic value of the exposure in the underlying asset of the derivatives



## Income Statement

		six months ended 28 February 2013 unaudited			year ended 31 August 2012 audited	six months ended 29 February 2012 unaudited				
	Notes	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments designated at fair value through profit or loss		–	68,488	68,488	–	35,457	35,457	–	30,334	30,334
Gains/(losses) on long CFDs held at fair value through profit or loss		–	9,190	9,190	–	557	557	–	(911)	(911)
(Losses)/gains on options, futures and short CFDs held at fair value through profit or loss		–	(5,749)	(5,749)	–	36	36	–	214	214
Net income	2	4,669	–	4,669	11,082	–	11,082	4,019	–	4,019
Investment management fee		(1,964)	–	(1,964)	(3,412)	–	(3,412)	(1,644)	–	(1,644)
Other expenses		(294)	–	(294)	(547)	–	(547)	(283)	–	(283)
Exchange (losses)/gains on other net assets		–	(191)	(191)	–	(117)	(117)	3	(14)	(11)
<b>Net return on ordinary activities before taxation</b>		<b>2,411</b>	<b>71,738</b>	<b>74,149</b>	7,123	35,933	43,056	2,095	29,623	31,718
Taxation on return on ordinary activities	3	(29)	–	(29)	228	–	228	120	–	120
<b>Net return on ordinary activities after taxation for the period</b>		<b>2,382</b>	<b>71,738</b>	<b>74,120</b>	7,351	35,933	43,284	2,215	29,623	31,838
<b>Return per ordinary share</b>	4	<b>4.38p</b>	<b>131.93p</b>	<b>136.31p</b>	13.25p	64.78p	78.03p	3.95p	52.88p	56.83p

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.

The total column of this Income Statement is the profit and loss account of the Company.

All items in this Income Statement derive from continuing operations. No operations were acquired or discontinued in the period.

These financial statements have been prepared in accordance with the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") issued in January 2009.

## Reconciliation of Movements in Shareholders' Funds

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
<b>Opening Shareholders' funds: 1 September 2011</b>		14,131	95,767	2,657	5,152	186,987	7,827	312,521
Repurchase of ordinary shares	6	(321)	–	321	–	(6,342)	–	(6,342)
Net return on ordinary activities after taxation for the period		–	–	–	–	29,623	2,215	31,838
Dividend paid to Shareholders	5	–	–	–	–	–	(6,319)	(6,319)
		<u>13,810</u>	<u>95,767</u>	<u>2,978</u>	<u>5,152</u>	<u>210,268</u>	<u>3,723</u>	<u>331,698</u>
<b>Closing Shareholders' funds: 29 February 2012</b>		13,810	95,767	2,978	5,152	210,268	3,723	331,698
<b>Opening Shareholders' funds: 1 September 2011</b>		14,131	95,767	2,657	5,152	186,987	7,827	312,521
Repurchase of ordinary shares	6	(537)	–	537	–	(10,862)	–	(10,862)
Net return on ordinary activities after taxation for the year		–	–	–	–	35,933	7,351	43,284
Dividend paid to Shareholders	5	–	–	–	–	–	(6,319)	(6,319)
		<u>13,594</u>	<u>95,767</u>	<u>3,194</u>	<u>5,152</u>	<u>212,058</u>	<u>8,859</u>	<u>338,624</u>
<b>Closing Shareholders' funds: 31 August 2012</b>		13,594	95,767	3,194	5,152	212,058	8,859	338,624
Repurchase of ordinary shares	6	(12)	–	12	–	(329)	–	(329)
Net return on ordinary activities after taxation for the period		–	–	–	–	71,738	2,382	74,120
Dividend paid to Shareholders	5	–	–	–	–	–	(7,069)	(7,069)
		<u>13,582</u>	<u>95,767</u>	<u>3,206</u>	<u>5,152</u>	<u>283,467</u>	<u>4,172</u>	<u>405,346</u>
<b>Closing Shareholders' funds: 28 February 2013</b>		13,582	95,767	3,206	5,152	283,467	4,172	405,346

## Balance Sheet

Company number 2972628

	Notes	28.02.13 unaudited £'000	31.08.12 audited £'000	29.02.12 unaudited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss		<b>392,934</b>	326,618	327,853
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss		<b>14,188</b>	3,839	1,870
Debtors		<b>2,117</b>	5,247	3,377
Amounts held at futures clearing houses and brokers		<b>5,950</b>	1,236	3,563
Cash at bank		<b>4,580</b>	8,451	4,518
		<b>26,835</b>	18,773	13,328
<b>Creditors</b>				
Derivative liabilities held at fair value through profit or loss		<b>(7,094)</b>	(5,115)	(4,930)
Other creditors		<b>(7,329)</b>	(1,652)	(4,553)
		<b>(14,423)</b>	(6,767)	(9,483)
<b>Net current assets</b>		<b>12,412</b>	12,006	3,845
<b>Total net assets</b>		<b>405,346</b>	338,624	331,698
<b>Capital and reserves</b>				
Share capital	6	<b>13,582</b>	13,594	13,810
Share premium account		<b>95,767</b>	95,767	95,767
Capital redemption reserve		<b>3,206</b>	3,194	2,978
Other non-distributable reserve		<b>5,152</b>	5,152	5,152
Capital reserve		<b>283,467</b>	212,058	210,268
Revenue reserve		<b>4,172</b>	8,859	3,723
<b>Total equity Shareholders' funds</b>		<b>405,346</b>	338,624	331,698
<b>Net asset value per ordinary share</b>	7	<b>746.10p</b>	622.71p	600.42p

## Cash Flow Statement

	<b>six months ended 28.02.13 unaudited £'000</b>	year ended 31.08.12 audited £'000	six months ended 29.02.12 unaudited £'000
<b>Operating activities</b>			
Investment income received	4,071	10,480	4,211
Net derivative income/(expenses)	147	(354)	(166)
Deposit interest received	29	67	28
Investment management fee paid	(1,865)	(4,325)	(2,564)
Directors' fees paid	(66)	(160)	(92)
Other cash (payments)/receipts	(274)	(666)	209
<b>Net cash inflow from operating activities</b>	<b>2,042</b>	<b>5,042</b>	<b>1,626</b>
<b>Taxation</b>			
Overseas taxation recovered	1	249	122
<b>Taxation recovered</b>	<b>1</b>	<b>249</b>	<b>122</b>
<b>Financial investments</b>			
Purchase of investments	(251,439)	(147,520)	(65,702)
Disposal of investments	263,168	157,186	72,602
<b>Net cash inflow from financial investments</b>	<b>11,729</b>	<b>9,666</b>	<b>6,900</b>
<b>Derivative activities</b>			
Premium paid on options	–	(281)	(33)
Premium received on options	–	263	84
Payments on CFDs	(4,928)	(1,441)	(1,016)
Movements on amounts held at futures clearing houses and brokers	(4,714)	4,123	1,796
<b>Net cash (outflow)/inflow from derivative activities</b>	<b>(9,642)</b>	<b>2,664</b>	<b>831</b>
<b>Dividend paid to Shareholders</b>	<b>(7,069)</b>	<b>(6,319)</b>	<b>(6,319)</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(2,939)</b>	<b>11,302</b>	<b>3,160</b>
<b>Financing</b>			
Repurchase of ordinary shares	(741)	(10,450)	(6,342)
<b>Net cash outflow from financing</b>	<b>(741)</b>	<b>(10,450)</b>	<b>(6,342)</b>
<b>(Decrease)/increase in cash</b>	<b>(3,680)</b>	<b>852</b>	<b>(3,182)</b>
<b>Reconciliation of net cash movements to movements in net funds</b>			
<b>Net funds at the beginning of the period</b>	<b>8,451</b>	<b>7,716</b>	<b>7,716</b>
(Decrease)/increase in cash	(3,680)	852	(3,182)
Foreign exchange movements	(191)	(117)	(16)
<b>Change in net funds</b>	<b>(3,871)</b>	<b>735</b>	<b>(3,198)</b>
<b>Net funds at the end of the period*</b>	<b>4,580</b>	<b>8,451</b>	<b>4,518</b>

\*Net funds consist entirely of cash at bank

## Notes to the Financial Statements

### 1 ACCOUNTING POLICIES

The Half-Yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 August 2012.

	<b>28.02.13</b> <b>unaudited</b> <b>£'000</b>	31.08.12 audited £'000	29.02.12 unaudited £'000
<b>2 INCOME</b>			
<b>Income from investments designated at fair value through profit or loss</b>			
UK dividends	3,317	9,513	3,259
UK scrip dividends	503	908	541
Overseas dividends	475	857	139
Overseas scrip dividends	151	–	181
Income from REIT investments	–	92	38
	<b>4,446</b>	11,370	4,158
<b>Income from derivative instruments held at fair value through profit or loss</b>			
Interest received on short CFDs	15	42	12
Dividends received on long CFDs	687	447	39
	<b>5,148</b>	11,859	4,209
<b>Other income</b>			
Deposit interest	28	66	27
	<b>5,176</b>	11,925	4,236
<b>Expenses of derivative instruments held at fair value through profit or loss</b>			
Interest paid on long CFDs	(314)	(341)	(162)
Dividends paid on short CFDs	(193)	(502)	(55)
	<b>4,669</b>	11,082	4,019

	<b>28.02.13</b> <b>unaudited</b> <b>£'000</b>	31.08.12 audited £'000	29.02.12 unaudited £'000
<b>3 TAXATION ON RETURN ON ORDINARY ACTIVITIES</b>			
<b>Overseas taxation charge/(credit) for the period</b>			
Overseas taxation recovered	(28)	(245)	(121)
Overseas taxation suffered	57	17	1
	<b>29</b>	(228)	(120)

### 4 RETURN PER ORDINARY SHARE

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 during the period.

	<b>28.02.13</b> <b>unaudited</b> <b>£'000</b>	31.08.12 audited £'000	29.02.12 unaudited £'000
Net revenue return on ordinary activities after taxation	2,382	7,351	2,215
Net capital return on ordinary activities after taxation	71,738	35,933	29,623
	<b>74,120</b>	43,284	31,838
Weighted average number of ordinary shares in issue during the period	<b>54,374,752</b>	55,471,587	56,021,478

	<b>28.02.13</b> <b>unaudited</b>	31.08.12 audited	29.02.12 unaudited
Revenue return per ordinary share	<b>4.38p</b>	13.25p	3.95p
Capital return per ordinary share	<b>131.93p</b>	64.78p	52.88p
Total return per ordinary share	<b>136.31p</b>	78.03p	56.83p

## 5 DIVIDENDS

No dividend has been declared in respect of the current six month period ending 28 February 2013. The dividend payment of £7,069,000 shown in the Reconciliation of Movements in Shareholders' Funds for the half-year ended 28 February 2013, is the final dividend of 13.00 pence per ordinary share paid for the year ended 31 August 2012, which was paid on 17 December 2012. The dividend payment of £6,319,000 shown in the Reconciliation of Movements in Shareholders' Funds for the half-year ended 29 February 2012 and for the year ended 31 August 2012, is the final dividend of 11.25 pence per ordinary share paid for the year ended 31 August 2011, which was paid on 19 December 2011.

## 6 SHARE CAPITAL

	<b>28.02.13</b> <b>unaudited</b> <b>shares</b>	31.08.12 audited shares	29.02.12 unaudited shares
<b>Issued, allotted and fully paid:</b>			
<b>Ordinary shares of 25 pence each</b>			
<b>Beginning of the period</b>	<b>54,378,896</b>	56,528,896	56,528,896
Repurchase of ordinary shares	<b>(50,000)</b>	(2,150,000)	(1,285,000)
<b>End of the period</b>	<b>54,328,896</b>	54,378,896	55,243,896

	<b>28.02.13</b> <b>unaudited</b> <b>£'000</b>	31.08.12 audited £'000	29.02.12 unaudited £'000
<b>Issued, allotted and fully paid:</b>			
<b>Ordinary shares of 25 pence each</b>			
<b>Beginning of the period</b>	<b>13,594</b>	14,131	14,131
Repurchase of ordinary shares	<b>(12)</b>	(537)	(321)
<b>End of the period</b>	<b>13,582</b>	13,594	13,810

## 7 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £405,346,000 (31.08.12: £338,624,000; 29.02.12: £331,698,000) and on 54,328,896 (31.08.12: 54,378,896; 29.02.12: 55,243,896) ordinary shares, being the number of ordinary shares in issue at the period end.

## 8 INVESTMENT TRANSACTIONS COSTS

Transaction costs are incurred in the acquisition and disposal of investments. These are included in the gains on investments designated at fair value through profit or loss in the capital column of the Income Statement and are summarised below:

	<b>28.02.13</b> <b>unaudited</b> <b>£'000</b>	31.08.12 audited £'000	29.02.12 unaudited £'000
Purchases	<b>1,279</b>	881	387
Sales	<b>270</b>	216	105
	<b>1,549</b>	1,097	492

## 9 UNAUDITED FINANCIAL STATEMENTS

The results for the six months to 28 February 2013 and 29 February 2012, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the year ended 31 August 2012 are extracted from the latest published financial statements. These financial statements, on which the Independent Auditor gave an unqualified report,

have been delivered to the Registrar of Companies.

## Investor Information

### CONTACT INFORMATION

**Private Investors:** call free on: 0800 41 41 10, 9am to 6pm, Monday to Saturday.

**Financial advisers:** call free on: 0800 41 41 81, 8am to 6pm, Monday to Friday. [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

**Existing shareholders** who have a specific query regarding their holding or need to provide updated information, for example a change of address, should contact the appropriate administrator.

**Holders of ordinary shares** Capita Registrars, Registrars to Fidelity Special Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday). Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com) Details of individual shareholdings and other information can also be obtained from the Registrars' website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

**Fidelity Share Plan investors** Fidelity Investment Trust Share Plan, PO Box 24035, 12 Blenheim Palace, Edinburgh EH7 9DD. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline. Other telephone providers' costs may vary).

**Fidelity ISA investors** Fidelity, using the freephone numbers given opposite, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

**General enquiries** should be made to Fidelity, the Investment Manager and 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 Fax: 01737 83 68 92 [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

### FINANCIAL CALENDAR 2013

<b>28 February</b>	–	Half-Yearly period end
<b>April</b>	–	Announcement of Half-Yearly results
<b>April</b>	–	Publication of Half-Yearly report
<b>July</b>	–	Interim Management Statement (as at 31 May 2013)
<b>31 August</b>	–	Financial year end
<b>November</b>	–	Publication of Annual Report
<b>December</b>	–	Annual General Meeting



# Directory

## **BOARD OF DIRECTORS**

Lynn Ruddick (Chairman)  
Ben Thomson  
(Senior Independent Director)  
Sharon Brown  
(Chairman of the Audit Committee)  
Andy Irvine  
Douglas Kinloch Anderson  
Nicky McCabe

## **MANAGER, SECRETARY AND REGISTERED OFFICE**

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP

## **INDEPENDENT AUDITOR**

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Chartered Accountants and Registered Auditor  
30 Finsbury Square  
London  
EC2P 2YU

## **LAWYERS**

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

## **BANKERS AND CUSTODIAN**

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125 London Wall  
London  
EC2Y 5AJ

## **FINANCIAL ADVISERS AND STOCKBROKERS**

Cenkos Securities plc  
6,7,8 Tokenhouse Yard  
London  
EC2R 7AS

## **REGISTRARS**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Glossary of Terms

### BENCHMARK

FTSE All-Share 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 and interest is paid. If the Company trades short, dividends are paid and interest is received.

### 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**.

### EXPOSURE

The total of fixed asset investments, **futures** and **options** at **fair value** plus the **fair value** of the underlying securities within the **Contracts For Difference**.

### FAIR VALUE

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

- Listed and AIM quoted 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 and the value of the underlying shares in the contract (unrealised gains or losses).

### FUTURE OR FUTURE CONTRACT

An agreement to buy or sell a stated amount of an asset at a specific future date and at a pre-agreed 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 or **derivatives**, in order to increase the Company’s exposure to investments. The Company uses two key measures of **gearing**:

Net **gearing** is the total of all long exposures, less the total of all short exposures and less the total of all exposures **hedging** the portfolio, expressed as a percentage of **shareholders’ funds**.

Gross **gearing** is the total of all long exposures, plus the total of all short exposures and less the total of all exposures **hedging** the portfolio, expressed as a percentage of **shareholders’ funds**.

### HEDGING

A hedge position will demonstrate risk reduction qualities by delivering short exposure to an asset with a correlation of at least 80% to long exposures in the Company’s portfolio.

### NET ASSET VALUE (NAV)

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

### OPTIONS

**Options** (call or put) 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.

### PREMIUM

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

### RETURN

The return generated in the 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 income returns.
- **Total Return** reflects the aggregate of revenue and capital and income returns in the period.

#### **SHARE REPURCHASES**

An increasingly popular way for investment trust companies to return cash to their shareholders is through offering to repurchase a proportion of shares currently held. Companies seek the permission of shareholders to do so at their annual general meetings allowing them to repurchase a proportion of their total shares (up to 15%) in the market at prices below the prevailing **net asset value** per share. This process is also used to enhance the **net asset value** per share and to reduce the **discount to net asset value**.

#### **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).

## **FURTHER INFORMATION**

The Fidelity Individual Savings Account (“ISA”) is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are authorised and regulated by the Financial Services Authority.

The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than other more developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may already have been acted upon by Fidelity.

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## Warning to Shareholders

### SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority (FSA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

### PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FSA Register at [www.fsa.gov.uk/fsaregister](http://www.fsa.gov.uk/fsaregister) to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.
5. Search the FSA's website list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

### REPORT A SCAM

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at [www.fsa.gov.uk/scams](http://www.fsa.gov.uk/scams), where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

**If you have already paid money to share fraudsters you should contact Action Fraud on**

**0300 123 2040**

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