

A close-up photograph of several traditional lanterns hanging in a row. The lanterns are illuminated from within, casting a warm glow and creating soft shadows. They are decorated with intricate patterns of red and orange flowers and leaves. The colors of the lanterns range from bright yellow and orange to pink and red. The background is dark, making the lit lanterns stand out.

# FIDELITY ASIAN VALUES PLC

Annual Report for the year ended 31 July 2022

# Investment Objective and Overview

**The Company's objective is to achieve capital growth principally from the stockmarkets of the Asian Region excluding Japan.**

Asia is the world's fastest-growing economic region, offering investors a potentially unparalleled long-term opportunity. Fidelity Asian Values PLC provides shareholders with a differentiated equity exposure to Asian markets. The Portfolio Manager, Nitin Bajaj, achieves this differentiation by favouring undervalued small and medium-sized companies as this allows him to find quality businesses that are mispriced,

the "winners of tomorrow", before they become well known. He utilises Fidelity's Asia-based analyst team and believes the current market environment offers an unprecedented opportunity to invest in high quality Asian smaller companies at attractive valuations.

**Kate Bolsover, Chairman,  
Fidelity Asian Values PLC**



# At a Glance

**Net Asset Value  
("NAV") per  
Ordinary Share  
total return<sup>1,2</sup>**  
**+3.9%**  
2021: +39.5%

**Ordinary Share Price  
total return<sup>1,2</sup>**  
**-3.4%**  
2021: +47.6%

**Comparative  
Index<sup>1,3</sup>**  
**-5.6%**  
2021: 39.2%

**Dividend  
per Ordinary Share**  
**14.00p**  
2021: 8.80p

1 Includes reinvested income.

2 Alternative Performance Measures. See pages 76 and 77.

3 MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms).

## Standardised Performance Total Return (%)

■ NAV per Ordinary Share  
■ Ordinary Share Price  
■ Comparative Index\*



1 year ended 31 July 2022

3 years ended 31 July 2022

5 years ended 31 July 2022

\* MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms).

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

# Summary of Results

	2022	2021
<b>Assets as at 31 July</b>		
Gross Asset Exposure <sup>1</sup>	<b>£383.7m</b>	£375.2m
Total Shareholders' Funds	<b>£367.6m</b>	£364.1m
NAV per Ordinary Share <sup>2</sup>	<b>507.78p</b>	497.50p
Gross Gearing <sup>2,3</sup>	<b>4.4%</b>	3.0%
<b>Share Price and Discount data at 31 July</b>		
Ordinary Share Price at year end	<b>458.00p</b>	483.00p
Year high	<b>505.00p</b>	506.00p
Year low	<b>407.00p</b>	333.00p
(Discount) to NAV per Ordinary Share at year end <sup>2</sup>	<b>(9.8%)</b>	(2.9%)
(Discount) year low/Premium year high	<b>(0.2%)</b>	2.6%
(Discount) year high	<b>(14.5%)</b>	(11.9%)
<b>Results for the year ended 31 July</b>		
Revenue Return per Ordinary Share <sup>2</sup>	<b>14.21p</b>	9.20p
Capital Return per Ordinary Share <sup>2</sup>	<b>4.31p</b>	132.09p
Total Return per Ordinary Share <sup>2</sup>	<b>18.52p</b>	141.29p
Ongoing Charges for the year to 31 July <sup>2,5</sup>	<b>0.95%</b>	0.93%
Variable Element of Management Fee <sup>4</sup>	<b>-0.20%</b>	-0.20%
Ongoing Charges including Variable Element of Management Fee for the year to 31 July <sup>2</sup>	<b>0.75%</b>	0.73%

1 The value of the portfolio exposed to market price movements.

2 Alternative Performance Measures. See pages 76 and 77.

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

4 The variable element of the management fee is calculated over a rolling three year period with reference to the Benchmark Index (see Glossary of Terms on page 88 for details of the Benchmark Index).

5 Ongoing Charges (excluding finance costs and taxation) as a percentage of average net asset values for the year (prepared in accordance with guidance issued by the Association of Investment Companies).

## Summary of the key aspects of the Investment Policy

- The Portfolio Manager invests in securities of companies which he considers have fundamental value that has not been recognised by the market.
- The Company is not restricted in terms of size or industry of companies included in the portfolio and may invest in unlisted securities.
- The Company may also invest into 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 operates a variable management fee arrangement which is calculated by reference to its Benchmark Index.

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# Chairman's Statement



Kate Bolsover – I am pleased to present the Annual Report of Fidelity Asian Values PLC (the “Company”) for the year ended 31 July 2022.

**£367.6m**

(As at 31 July 2022)

Total Shareholders' Funds

**+3.9%**

(Year ended 31 July 2022)

Net Asset Value per Ordinary Share

(total return)

**-3.4%**

(Year ended 31 July 2022)

Ordinary Share Price (total return)

**-5.6%**

(Year ended 31 July 2022)

Comparative Index (total return)

## Investment and Market Review

The year under review has been a turbulent period for Asian and global equity markets. Concerns around the Russia-Ukraine conflict and the resultant surge in commodity and energy prices have dominated investor sentiment. Economies globally have continued to struggle with low growth as well as higher inflationary pressures amid supply-chain constraints. In such an environment, Asian and emerging market equities, which are perceived to be riskier, have been out of vogue.

Given this challenging backdrop, it is especially pleasing to report that the Company's NAV strongly outperformed its Comparative Index. In the year to 31 July 2022, the NAV increased by 3.9%, compared to the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) which returned -5.6% over the same period. Nitin and his team should be commended for their diligence and persistence in sticking to their style in what has been an especially challenging time for value investors and we, as a Board, are delighted that their approach is beginning to pay off. However, it has been disappointing that this strong relative performance has not been reflected in a narrowing of the discount, with the share price still lagging; it returned -3.4% over the period. While it is hard to comment on share price performance as it is largely a function of market sentiment, what can be said is that investors have generally become more risk averse with their capital.

## Market Outlook

The long-term outlook for Asia Pacific ex Japan equities remains positive and the region's relatively higher growth prospects should continue to attract investors. Also, at a time when the world is becoming increasingly protectionist, Asia's robust domestic demand from an expanding middle class supports the outlook for the region. Nonetheless, the region remains vulnerable to a global slowdown and tightening of global financial conditions.

China's near-term growth outlook remains skewed to the downside due to sporadic COVID-related lockdowns across the country. Government stimulus has so far prevented a contraction in annual growth, but a weakening external backdrop is weighing on exports, previously a key driver of activity. Elsewhere, most Asian countries have actively eased international border controls, and a significant improvement in vaccination rates has helped to bring local restrictions to a close. As a result, pent-up consumption demand is making its way into their economies.

Persistently high and broadening inflation remains one of the stiffest economic headwinds confronting the US, Europe and several other major economies. But so far, for most of Asia, the picture has been rather different. China is, in fact, in a monetary easing cycle while rates in developed markets are likely to continue rising. Other Asian economies are also close to the end of their tightening cycles and they should have room to cut rates when inflationary pressures ease.

We therefore continue to maintain our positive view on the region. Overall, Asian equities continue to trade at attractive valuations compared to long-term historical averages and developed markets. The Company will continue to focus on finding attractive long-term investment opportunities across the region based on strong fundamental research.

The depth and quality of research provided by Fidelity International is amongst the best in Asia and is currently undertaken by 56 analysts and 39 portfolio managers. Nitin draws extensively on this pool of talent in making his investment decisions. In this, Nitin has been well supported by Ajinkya Dhavale, who has over 14 years of investment experience. He originally joined Fidelity as an analyst in 2013, covering the Auto, Cement, Telecommunications and Property sectors. He became Assistant Portfolio Manager of Fidelity Asian Values PLC on 1 June 2020 and currently specialises in small and mid cap stocks in Korea, Taiwan and Frontier Asia.

#### Due Diligence 2022

Prior to the pandemic, the Board had visited Asia every other year to observe the Manager and his team in action and to meet the Fidelity analysts, and also to meet some of the companies in which we are invested. This year, we were unable to do that but instead had a virtual visit of three days in March. We used video conferencing facilities to meet members of the Fidelity team, market commentators and some investee companies. In addition, Nitin was able to travel from Singapore and we were pleased to be able to spend some time with him in person.

Among the companies we met was China Overseas Grand Oceans Group Limited (COGO), a subsidiary company of Chinese Overseas Land and Investment. Discussions were focused on the challenges for developers in China's downward property market and the likelihood of consolidation in the industry. We also heard from the management team of Interjo, a Korean contact lens maker, with a wide variety of good quality products at affordable prices.

The Board was, once again, impressed by the breadth and depth of Fidelity's team. In addition to the investment team (Nitin and Ajinkya and the analysts), we spent time with the Global Head of Stewardship and Sustainable Investing, the Global Head of Investment Research, the Head of Sales and members of the Environmental, Social and Governance ("ESG") team.

We can confirm to shareholders that their money is being well cared for by a good and well-resourced team.

#### Gearing

Nitin and Ajinkya have increased the level of gross gearing from 3.0% reported last year to 4.4% as at 31 July 2022. They continue to believe that the main driver of the Company's performance will be stock picking. Therefore, the level of gearing is entirely determined by the investment opportunities they see. Put simply, when they have more ideas than money, then the Company will be geared. When they have more money than ideas, then the Company will have a larger cash position.

#### Discount Management and Share Repurchases

The Board has undertaken active discount management, the primary purpose of which was, and remains, to reduce discount volatility.

Repurchases of ordinary shares are made at the discretion of the Board, within guidelines set by it and in light of prevailing market conditions. Shares will only be repurchased when it results

in an enhancement to the NAV of the ordinary shares. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. Any shares held in Treasury would only be re-issued at NAV per ordinary share or at a premium to NAV per ordinary share.

There continued to be turmoil in the world's financial markets in the reporting year and at times the Company's discount was volatile in reaction to such market conditions. The Board, therefore, approved the repurchase of 780,543 ordinary shares for holding in Treasury during the year ended 31 July 2022. Since then and up to the date of this report, markets have continued to be volatile, and the Company's discount has, at times, widened into double digits. As a result, the Board has continued to operate its discount management policy to narrow the discount and authorised the purchase of 352,816 ordinary shares into Treasury, since the year end.

#### Dividend

Subject to shareholders' approval at the Annual General Meeting ("AGM") on 23 November 2022, the Directors recommend a dividend of 14.00 pence per ordinary share which represents an increase of 59.1% over the 8.80 pence paid in 2021. This dividend will be payable on 7 December 2022 to shareholders on the register at close of business on 28 October 2022 (ex-dividend date 27 October 2022). Shareholders will know that the Company's objective is long-term capital growth. In light of the higher income received and the current economic environment, the Board has elected to recommend almost all of the income earned to be paid as a dividend. Shareholders should not assume that such dividends will continue in the future.

#### Board of Directors and Board Succession

By 2023, I will have served four years as a Director and a further nine years as Chairman and will step down from the Board at the AGM in 2023. We had previously advised you that Clare Brady would succeed Grahame Stott as Chairman of the Audit Committee at the conclusion of this year's AGM. The Board has now agreed that Clare should succeed me as Chairman next year and we are actively searching for a new Chair of the Audit Committee. We hope to be able to announce this new Board member in time for this year's AGM.

As reported in last year's Annual Report, Timothy Scholefield stepped down from the Board after the AGM on 3 December 2021. In anticipation of Timothy and Grahame's retirements, Sally Macdonald and Matthew Sutherland were appointed to the Board on 1 January 2022. Both Sally and Matthew will be subject to election by shareholders at the AGM on 23 November 2022.

Michael Warren will have reached his nine-year tenure by the AGM in 2023. However, given the recent and ongoing changes to the Board, we are proposing to shareholders that he should remain on the Board for one additional year to ensure that institutional and historical knowledge of the Company is not lost. Accordingly, subject to shareholder approval, he will retire from the Board at the AGM in 2024.

# Chairman's Statement continued

Grahame Stott completed his nine-year tenure in September 2022 and will step down from the Board at the conclusion of the AGM on 23 November 2022. I would like to thank him on behalf of the Board and all of the Company's stakeholders for his invaluable contribution to the Company, especially his meticulous attention to detail. He takes with him our very best wishes for the future.

All Directors, with the exception of Grahame, are subject to election or re-election at the forthcoming AGM. The Directors' biographies are on page 32, and between them, they have a wide range of appropriate skills and experience which form a balanced Board for the Company.

## **Annual General Meeting – Wednesday, 23 November 2022 at 11.00 am**

The AGM of the Company will be held at 11.00 am on Wednesday, 23 November 2022 at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Nitin Bajaj, 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 his presentation can be requested by email at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and we will answer as many of these as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues). On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website <https://web.lumiagm.com>.

Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **118-640-628**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.



**Kate Bolsover**

Chairman

11 October 2022

# Portfolio Manager's Review



Nitin Bajaj was appointed as the Portfolio Manager of Fidelity Asian Values PLC on 1 April 2015. He is based in Singapore and has over 20 years' investment experience. He is also the Portfolio Manager for the Fidelity Asian Smaller Companies Fund as well as the Fidelity China Focus Fund. He first joined Fidelity in 2003 as an Investment Analyst and then took over the Fidelity India Special Situations Fund and subsequently started the Fidelity India Value Fund. He managed these funds until November 2012, when Fidelity decided to sell its India business.



Ajinkya Dhavale has over 14 years of investment experience. He originally joined Fidelity as an analyst in 2013, covering the Auto, Cement, Telecommunications and Property sectors. He was promoted to Assistant Portfolio Manager of Fidelity Asian Values PLC on 1 June 2020 and currently specialises in small and mid cap stocks in Korea, Taiwan and Frontier Asia.

# Portfolio Manager's Review continued

## Question

How has the Company performed in the year under review?

## Answer

In the year to 31 July 2022, the NAV of the company increased by 3.9%. The MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) returned -5.6% over the same period. The share price total return was -3.4%.

The Company generated positive absolute returns in a falling market primarily because we avoided speculative investments, expensive stocks, and blue-sky business models. Investing in companies on very rich valuations had been the market norm during the pandemic so a pull-back was somewhat expected.

This approach reflects our investment philosophy of investing in good quality businesses which are run by competent and honest management, and only buying them when valuations provide a good margin of safety.

## Question

Asian stocks have lost value over the period under review. Has the sell-off been consistent across the market cap spectrum? What have been the drivers for your outperformance?

## Answer

The sell-off in Asian equities this year has certainly not been even. Losses have been lower in small cap stocks than their large cap counterparts primarily due to the reversal of the crowded 'large cap growth' trading bias that occurred in 2019 and 2020. In addition, small and large cap indices are further skewed by their geographic mix, with the large cap index having a significantly higher weight in China.

Stylistically, Value stocks have done better than Growth stocks during this period. In our opinion, we are in the early stages of a long-term style rotation out of Growth equities as the valuation gap between Growth and Value is still at a twenty-year extreme in favour of Value stocks. Given our significant bias towards small cap Value, we think a period of sustained outperformance is possible over the coming years.

While this market environment provided a positive backdrop for our style, our focus on bottom-up fundamental research meant that stock selection has been the biggest contributor to the Company's relative performance. During the financial year, our stock selection was particularly positive in China, India, Korea, Australia and Indonesia. From a sector perspective, positive returns were posted in industrials, health care, financials and materials.

In terms of small/mid cap names, Indonesia's largest yet lowest cost producer of ceramic tiles **Arwana Citramulia** benefited from a favourable demand-supply environment, while India's fourth largest cables and wires maker **KEI Industries** was aided by a recovery in capital expenditure and its increased focus on higher margin retail and exports segments. In China, the Company's exposure to a large cap state-owned property developer **China Overseas Land & Investment** added to performance after the company, which is operating in a consolidated industry, gained market share, driven by the flight to quality amongst developers. Companies which can demonstrate more disciplined operations and have both good balance sheets and access to land sales are better able to successfully complete construction projects.

## Question

With slightly over 35% of your investments in either China or Hong Kong, are you worried about single country exposure? What do you consider to be the main risks of investing in China?

## Answer

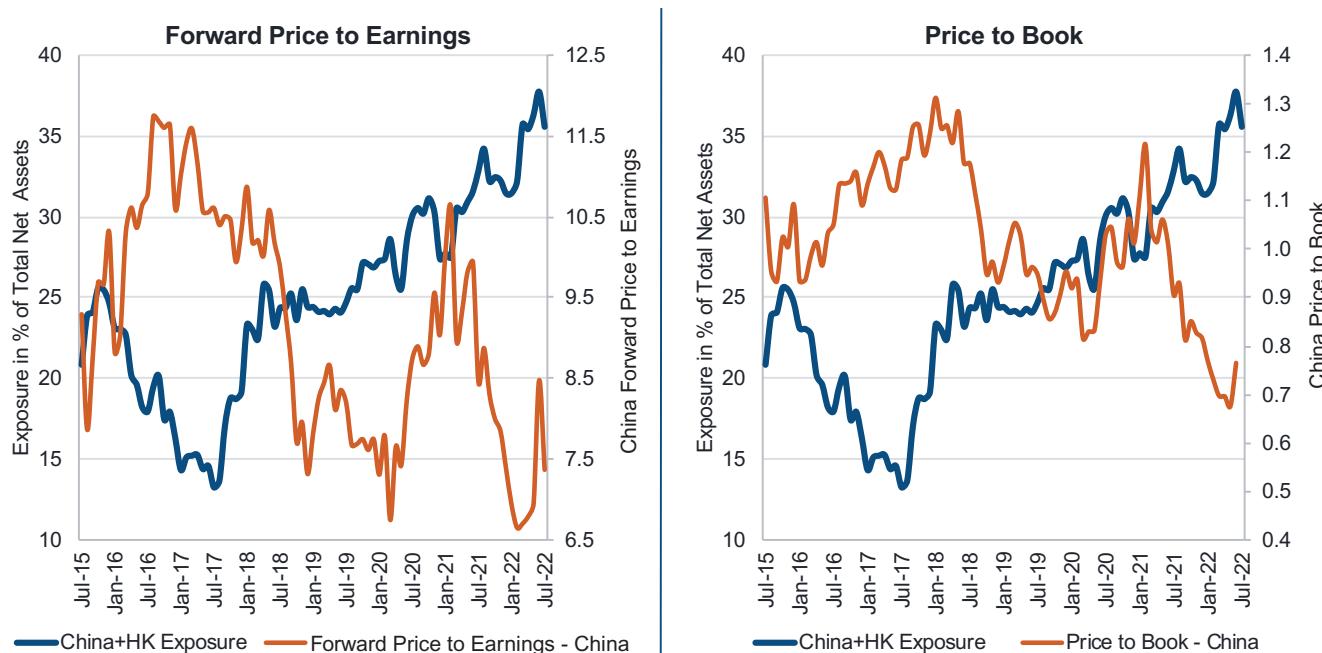
From a risk management perspective, while country positions are an outcome of underlying stock selection, we restrict our exposure to any particular country to within Board set guidelines. Of course, the Board can change such limits, should it so decide, to suit market dynamics as well as the opportunity set. Given the macro-economic concerns around China, it comes as no surprise that Chinese stocks have been sold off; but in our view, there are many interesting companies that are now trading significantly below intrinsic value and are being overlooked by the broader investment community. You could almost compare the current Chinese multiples and sentiment to what happened in the Indian market crash in 2012/13 or in the sub-prime credit crisis in the US in 2008/09.

We look at the situation differently. While we are very conscious of the macro risks of investing in China due to geopolitical tensions, regulatory interventions and economic cycles, based on our analysis, the prices of the businesses we own reflect these risks. Furthermore, we believe that these companies are providing products or services that are beneficial to society - either through improving household products or providing essential infrastructure services - both of which are critical to the smooth functioning of the economy.

However, we would like to share some high-level thoughts regarding the two biggest risks that are being flagged when it comes to China - the demise of the property sector and the impact of the country's zero-COVID policy.

The various lockdowns have taken a heavy toll on industrial activities and consumption given the lack of movement of citizens. Yes, we have seen some tweaks to policy requirements (such as allowing the ongoing operation of manufacturing activities during a city lockdown), but the government still measures its success

### China's valuation and the portfolio's exposure to China + Hong Kong over tenure



Source: Fidelity International, FactSet, 31 July 2022. Index: MSCI China Index. Price to Earnings ("P/E") Ratio is a measure for valuing a company's share price versus its earnings. Price to Book ("P/B") Ratio is a measure for valuing a company's share price versus its book value. Low P/E and P/B Ratios can indicate that a company may currently be undervalued.

in overcoming the pandemic as the number of lives saved and keeping fatalities low. We are monitoring any policy changes, or indeed fiscal or monetary support aimed at improving sentiment and underpinning growth. It is critical to note that the country's zero-COVID policy can impact corporate earnings so it's something that we consider when assessing a company's earnings visibility.

The other risk associated with China is the health of the property sector. For years, China had seen a surge in property development, with many developers benefiting from growing demand. However, like any prolonged investment cycle, the property market in China has seen severe misallocation of capital and excessive risk taking by many private sector developers. In our opinion, quite a few of these "aggressive" developers will not survive the downturn. This will have a knock-on impact on the overall economy; but it will also create significant opportunities for well-managed companies to increase market share. We believe that the businesses we own fall in the category of market share gainers in a number of different sectors in China. Given the current macro backdrop and pessimism, we believe these businesses are quite significantly mispriced compared to their long-term potential.

Given this positive risk/return outlook, and importantly, the underlying stock opportunities, our combined exposure to China and Hong Kong is around 35% as at the end of July (charts above) – this is close to the highest it's been during my tenure.

#### Question

Large cap stocks make up nearly 20% of your portfolio. How do you choose these stocks and why do you hold them?

#### Answer

Although the Company has a small cap bias, the investment policy is unrestricted, and we are therefore able to consider large companies for the portfolio where we believe they demonstrate the value characteristics that we seek for shareholders' portfolios.

In order to be considered as investments, these large companies should demonstrate the same returns profile that we expect from any small cap holding in the portfolio. We like to think of them as adding some diversification benefits from the small cap companies in the portfolio and from the Company's peer group.

# Portfolio Manager's Review continued

## Question

How do you approach shorting companies? Where do you see opportunities in this space?

## Answer

The approach to shorting companies is the exact opposite of what we do when creating our long positions. Here we are looking for fragile business models, excessive leverage, management with poor reputations and/or stretched valuations.

That said, shorting is a specialised skill where risk/reward metrics can turn against you because your short position increases if the price increases. Theoretically, a stock's price can increase to an infinite amount, but its lowest value can only ever be zero. We keep the short book well diversified and take smaller sized positions.

## Question

Can you explain to us how you integrate ESG considerations into your portfolio?

## Answer

The Company's primary objective for shareholders is to achieve capital growth. In order to achieve the best possible returns, we have always sought to invest in businesses which respect laws, their employees, customers, the environment and shareholders as well as managing their businesses properly. ESG considerations have therefore always been at the heart of our investment thinking.

Investing in smaller companies in Asia using the strength of Fidelity's research team here has always offered us the opportunity to identify companies ahead of other investors. Regulations are constantly evolving and ESG is no exception to this. We believe this presents us with opportunities. The development of ESG ratings covered by the rating agencies (MSCI/Sustainalytics) has not yet evolved to cover many of the smaller companies which we invest in. This provides an exciting opportunity as the ESG credentials of many of the smaller companies (as you will see in the examples overleaf) are best in class. They are in fact 'double gems': companies with good prospects, strong management and well-priced alongside their strong ESG credentials.

We have also included a summary of Fidelity's house approach to ESG on pages 12 to 14. This is important as Fidelity covers 85% of the portfolio and is therefore able to give us evidence that my approach is working.

## Question

Last year you invested in a pre-IPO holding – Tuhu Car. Can you provide an update on this company and will we see more investments like this in the future?

## Answer

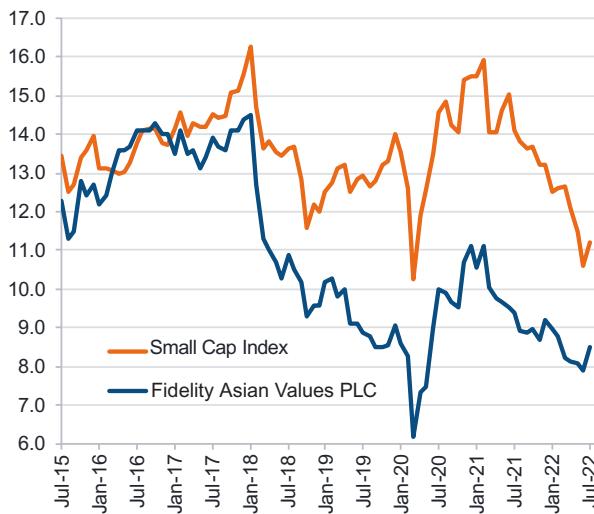
We continue to hold a position in Tuhu Car that we established in June 2021. It remains an attractive business due to its market dominance in the unique online-to-offline auto parts retailing space. In essence, succeeding in making customers shift online to buy spare parts and then collect them from physical stores. The long-term structural growth opportunity is very attractive, and we have seen similar companies in the US and Australia do very well in this space over a long period of time. China is still at an early stage in its development of auto parts retailing and Tuhu Car is the clear market leader.

Unlisted investments are different from our traditional value investments as these companies are in an early stage in their development. We are very careful about such investments, and I do not foresee the Company increasing unlisted holdings in a significant way.

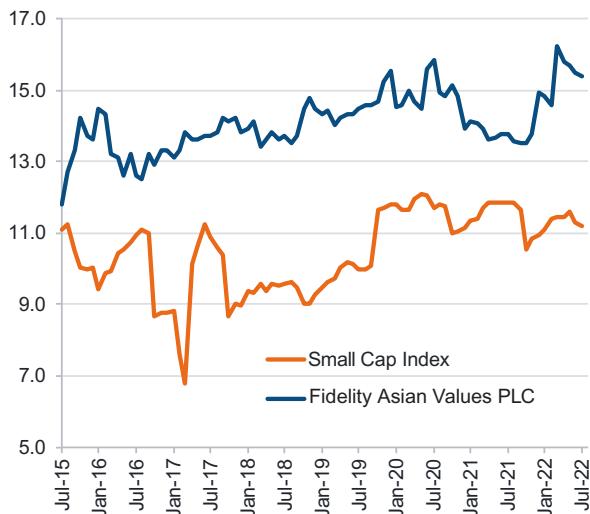
# Fund Valuation

## Higher quality businesses at a lower price

### Lower Price to Earnings Ratio vs. Small Cap Index



### Higher Return on Equity vs. Small Cap Index



Source: Fidelity International, FactSet, 31 July 2022. Index: MSCI All Countries Asia ex Japan Small Cap Index.

Return on Equity ("ROI") is a measure of the return on a company's stock. The higher the percentage, the more income the company is generating and adding to shareholder value.

### Question

What do you view as the biggest risks and opportunities for the next twelve months?

### Answer

We believe that the biggest risks are always things we do not know yet or "unknown unknowns".

Of the things that are known, in our opinion, the biggest risk continues to be the medium-term impact of experimental monetary policy of the last decade. The world has never had free money the way it did in the last ten years and neither has the world lived with this quantum of debt before. Consequently, it is very hard to have a playbook to figure out how things will pan out. This is something that we keep a close eye on and continue to learn about.

Having said that, we believe our strength is stock picking rather than macro analysis. Peter Lynch, the renowned and highly successful US portfolio manager, used to say, "if you spent thirteen minutes a year on economic (macro) analysis, you wasted ten". We are of the same school of thought.

We are very happy with the current shape of the portfolio comprising businesses that are dominant in their industries, earn good returns on capital and are available at attractive valuations. The current vital statistics of the Company's portfolio of investee companies are as follows:

- Return on Equity at 15.4% versus 11.2% for the Comparative Index;
- A stronger Balance Sheet than the Comparative Index;
- Price to earnings: 8.5x versus 11.2x for the Comparative Index; and
- Dividend yield at 4.6% versus 2.9% for the Comparative Index.

Our skills lie in business analysis, finding best in class management teams and mispriced stocks. We are known to repeat the phrase below often and it's fair to say that it has become known as something of a mantra for the Company:

Find **good businesses** run by **good management** and buy them at prices with a **good margin of safety**.

We continue to focus on this.

**Nitin Bajaj**  
Portfolio Manager

**Ajinkya Dhavale**  
Assistant Portfolio Manager

# ESG Investing – The Asian Small Cap Paradox

Fidelity Asian Values PLC sets out to provide shareholders with a differentiated exposure to Asian markets. Asia is the fastest-growing economic region and the Company looks to capitalise on this by finding “good businesses, run by good people and buying them at a good price”.

The Company favours smaller companies as this gives it the opportunity to find mispriced businesses, the “winners of tomorrow”, before they become well known.

With more than 20,000 listed companies in Asia (excluding Japan) – which accounts for more than one third of listed companies worldwide – there is a huge opportunity for a fundamental research driven stock picker who can fully utilise Fidelity International’s (“Fidelity”) extensive locally-based analyst team.

However, the sheer number of companies, and the less-developed disclosure requirements for smaller businesses in the region creates challenges for many observers to properly understand the ESG impacts and implications of investing in them.

## **There is no ESG “gold standard” for Rating Agencies**

Rating agencies use both qualitative and quantitative data to inform their ratings, for instance, a company’s carbon emissions, cyber-security readiness and instances of questionable social conduct all factor into their overall score. MSCI, Institutional Shareholder Services (ISS), Sustainalytics and S&P are among the most prominent third-party ESG rating agencies. It should be noted that these third-party rating agencies use different methodologies to come up with their ratings and therefore a company’s rating can vary between rating agencies. What’s even more challenging, is that these ratings are also not aligned with the disclosure frameworks supported by institutional investors (i.e. the Sustainable Accounting Standards Board (SASB) and the Taskforce on Climate Related Financial Disclosures (TCFD)).

## **A Large Universe of Under-Researched Companies**

With roughly 1,600 companies in the MSCI All Countries Asia ex Japan Small Cap Index alone, there is an abundance of potential investment opportunities. But the size of the investment universe also presents a challenge in terms of coverage by mainstream commercial agencies. Indeed, there tend to be far fewer sell-side analysts covering each stock, and the information and earnings forecasts that are published often focus solely on the shorter-term. While this lack of coverage speaks to the challenge of investing in smaller companies more broadly, it also translates into less comprehensive coverage of ESG factors.

Compounding this, ESG data from third-party providers can vary widely. While there is a greater amount of information on governance and environmental factors, data on social issues, while improving, remains relatively scarce. Even so, because ESG is not a straightforward topic, a one-size-fits-all approach rarely works and third party data, even when it does exist, is often more helpful as an input for consideration rather than as a comprehensive measure of a company’s ESG profile. Fidelity has developed its own proprietary ratings system in response to this and details are set out on page 14.

## **Fewer Resources Dedicated to ESG**

Many smaller companies also face challenges when communicating and addressing ESG issues as they tend to have more limited resources available to assess, disclose and report on ESG and sustainability issues, compared to their large cap counterparts. While the required disclosures and ESG regulations are rapidly developing and being enhanced for all companies, irrespective of size, smaller companies may face disproportionate burdens. As a consequence, smaller companies, particularly those without a large or dedicated team covering sustainability issues, may struggle to produce supplemental or more in-depth ESG data, and may report fewer disclosures. Much of Fidelity Asian Values PLC’s portfolio still has limited mainstream ESG coverage.

## **The Opportunity**

Asian smaller companies often operate in niche/specialist areas that are too small to attract significant interest from larger more diversified competitors. These exciting niches are precisely what make the asset class so compelling, particularly when considering the strides many companies are making when it comes to ESG.

Given the potential obstacles that Asian smaller companies face when it comes to dedicating significant resources to sustainability efforts, there is a perception that they have been slower to adopt ESG relative to their larger counterparts. But in reality, many smaller companies are doing much more when it comes to sustainability and ESG than meets the eye. And again, we believe these unrecognised or overlooked efforts often create strong investment opportunities. Fidelity, as an active manager, with significant breadth and resources, and its own proprietary ESG rating system, is particularly well positioned to uncover overlooked opportunities and help companies progress on their ESG journeys.

## **ESG in the portfolio – the role of the Board**

The Board recognises the importance of ESG factors to many investors. The Board firmly believes that it is in shareholders’ best interests that the Company does not invest in companies which wilfully disregard their impact on the environment or the social consequences of their activities.

In this light, the Board endorses the capabilities and approach of Fidelity to ESG in portfolios and its own investment operations and finds itself closely aligned to them. The Board regularly reviews how Fidelity applies ESG factors in the investment process, as set out on pages 12 to 14. The Fidelity group of companies also sets out its commitment to responsible investing and provides a copy of its detailed “Responsible Investing” report at [www.fidelity.co.uk/responsible-investing](http://www.fidelity.co.uk/responsible-investing)

### Case Studies – recent examples of the Portfolio Manager’s engagement on ESG issues

In February 2022, the Portfolio Manager had an exclusive ESG focused engagement with **Arwana Citramulia**, the largest ceramic tiles maker in Indonesia and second largest holding in the portfolio. The focus of the meeting was particularly on climate change and the company’s greenhouse gas (“GHG”) emission strategy and goals as well as its sustainability reporting. Fidelity was concerned that the company did not have adequate disclosures on climate, particularly GHG emissions data and targets. During the meeting it was quickly discerned that the issue was purely a disconnect around what needed to be disclosed, rather than lack of awareness or effort. In fact, its management team was way ahead of the curve. The environmental impact is front of mind for the business, not least because it is intrinsically linked with margins and profitability as efficiency and gas usage reduction has been a huge driver of margin improvement. Hence, Arwana is an industry leader in ESG with one of the lowest emissions per square meter of ceramic produced. The company has already started to install solar systems for one of its plants that will reduce about a quarter of its carbon emissions. It also has plans to use solar power at all of its facilities as well as reduce electricity usage with the installation of skylights in its factories. The company also plans to reuse all wastewater in production, recycle waste products for building materials and use recycled materials for packaging. However, the company had not disclosed its GHG reduction targets. During the meeting, the company shared its GHG reduction goal in the form of carbon intensity and that it had plans to consistently achieve a lower carbon intensity as compared to the best standard in the local industry. While there were efforts to address climate change, we noted that there was a lot of room for better reporting of the work they were already undertaking.

Similarly, the Portfolio Manager met with **Japfa** in March 2022. It is the second largest poultry feed business in Indonesia and one of the leading raw milk businesses in China. In March 2022, the company placed the first US\$-denominated sustainability-linked bond from Southeast Asia. The issue was also a first for the agri-food industry worldwide and was more than 3 times oversubscribed. The company is also a leader in its industry on sustainable practices. It has a strong focus on Sustainable Development Goal 2, which is to achieve zero hunger by providing affordable protein foods and making these more accessible in emerging Asian countries. The purpose of the call was to discuss disclosures on climate change. The company acknowledged the constraints of pushing sustainability while operating in emerging economies. It also acknowledged the need to disclose more information on its sustainable practices. Following engagement, it has established a Sustainability Committee which includes its CEO and CFO. The company committed that a comprehensive life-cycle assessment will be extended to cover all business segments including aquaculture, pork and dairy production. Japfa has also recently disclosed its Scope 1 and Scope 2 emissions data and has made a firm commitment that Scope 3 level data will be available later this year. The company also intends to establish GHG reduction targets by 2023.

Elsewhere, the Portfolio Manager engaged with Australian-listed oil and gas producer **Santos** in April 2022. The company has a solid mix of short, medium, and long-term climate targets and a credible strategy to decarbonise the business over time through carbon capture and storage in the short-term and eventually green hydrogen export in the long-term. During the meeting, Santos mentioned it has a target of reducing emissions by over 5% across operations in the Cooper Basin and Queensland by 2025. Pleasingly, the company is already on track to meet this target in 2022. Santos is committed to meeting the criteria of Scope 3 emissions reporting. It has committed to only sell to customers from countries that have a net zero commitment or are signatories to the Paris Agreement. Santos aims to cut Scope 1 and 2 emissions by 30% by 2030 and to achieve net zero on Scope 1 and 2 emissions by 2040. Following engagement, the company has committed to improve its reporting disclosure as well as review its methodologies in respect to executive pay.

# ESG in the Investment Process

Fidelity International ("Fidelity") has embedded Environmental, Social and Governance ("ESG") factors in its investment decision-making for a number of years. 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. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

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 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity's own proprietary ratings is on the next page. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

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

In addition to Fidelity's Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate-related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero, or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings, which score companies across a range of environmental, social and governance criteria.

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

The Sustainable Investing Team has 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,

utilising Fidelity's corporate access research capabilities and investment scale to improve corporate behaviour, including at 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.

During 2021, Fidelity introduced its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity's voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

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 organic analysis. Fidelity receives reports that include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry

specific and are calculated relative to industry peers and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

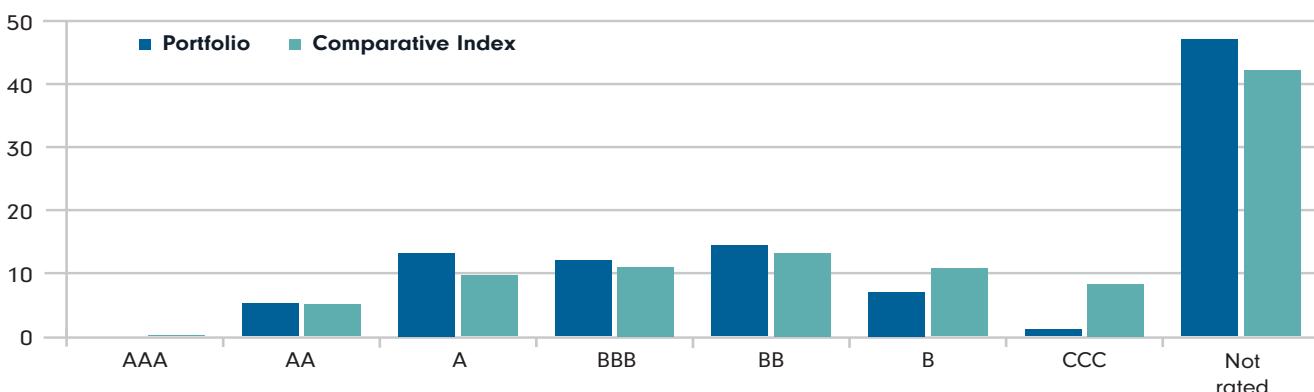
The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are 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 in the Investment Process continued

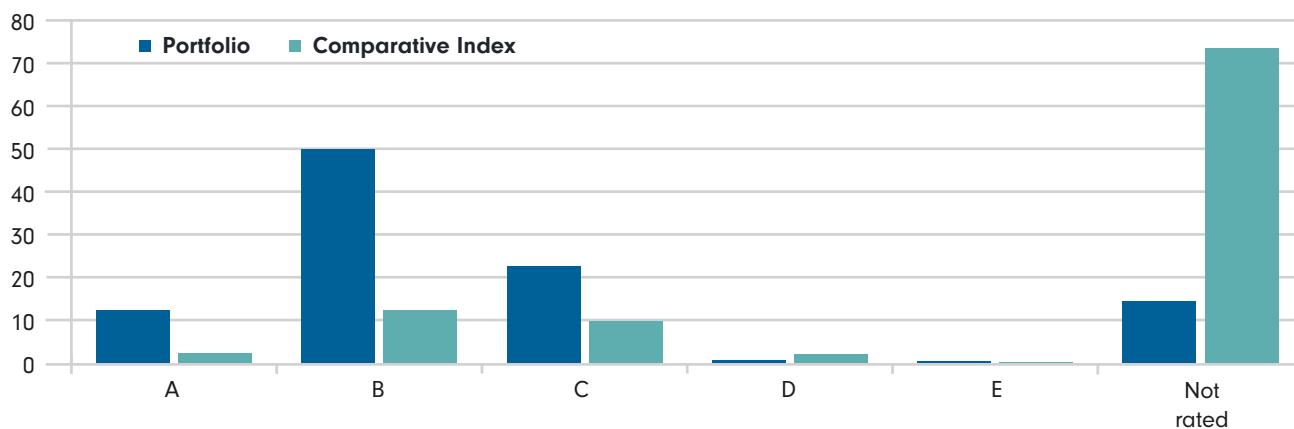
## ESG ASSESSMENT

The first two charts below show a breakdown of the underlying stocks in the Company's portfolio using MSCI and Fidelity's own ESG ratings. It is encouraging that Fidelity's ratings, which are more forward-looking in nature, show a greater proportion of the portfolio in higher rated stocks than those rated by MSCI, which is more backward-looking and disclosure driven. Additionally, more than 85% of the portfolio (as shown in the second chart) is covered by Fidelity compared with 53% covered by MSCI (as shown in the first chart) with the Company's small and mid cap exposures being given formal ESG coverage by Fidelity sooner than by MSCI.

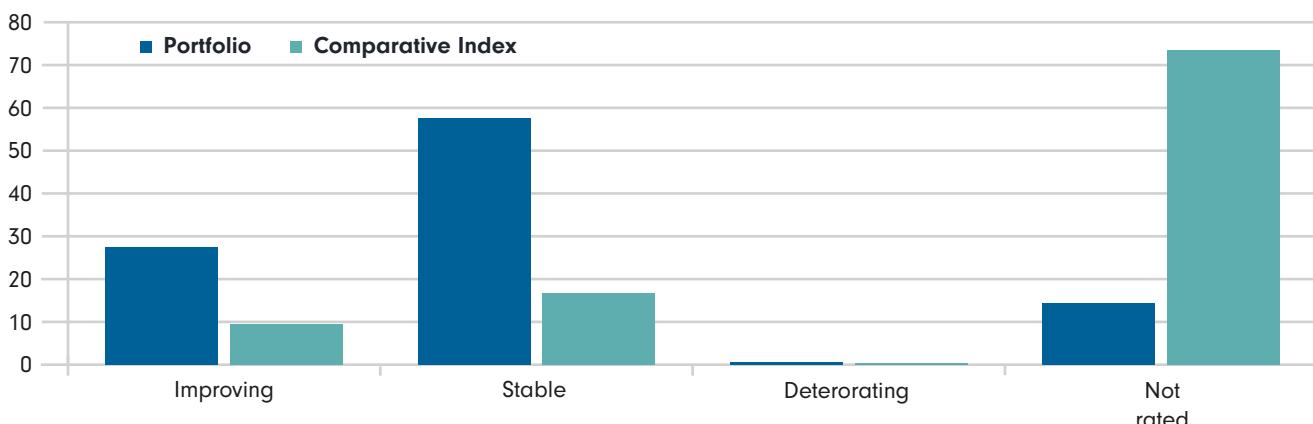
**MSCI ESG Ratings breakdown (%)**



**Fidelity Proprietary ESG Ratings (%)**



**Fidelity ESG Ratings direction (%)**



# Spotlight on the Top 10 Holdings

as at 31 July 2022

(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.)

## Sector Financials



## HDFC Bank

### Position size

2.7%

HDFC Bank is India's leading private bank and continues to gain market share from less efficient government owned banks. The retail-focused bank offers a diverse range of financial products and banking services to customers. It also offers a wide range of commercial and transactional banking services to businesses and organisations of all sizes. Its strong management and conservative underwriting culture ensure that its asset quality is the best in the industry. It has seen consistent quality of growth in its liability and asset books across cycles with low cost of funds resulting in returns of equity consistently in the mid-teens range. In the near-term, faster credit growth and rate hikes are also expected to improve net interest margins.

## Sector Industrials



## Arwana Citramulia

### Position size

2.6%

Arwana Citramulia is the lowest cost and most profitable tile maker in Indonesia with roughly 20% market share. The company has consistently earned a return on invested capital in excess of 20%; it has paid 75% of its profits in dividends and grown sales volumes at high single digit percentage. Its excess returns are derived from its low cost positioning and exceptional management quality. Given demographics in Indonesia, tile businesses should continue to grow for many years to come and within that it should be able to take further market share going forward. The business is trading in the stock market at 14x earnings. Arwana is an industry leader in ESG with one of the lowest emissions per square meter of ceramic produced (see case study on page 11).

## Sector Financials



## Axis Bank

### Position size

2.6%

Axis Bank is the third largest private sector bank in India and benefits from structural growth banking penetration across the entire spectrum of financial services to customer segments covering large and mid-corporates, micro, small and mid-sized enterprises (MSMEs), agriculture and retail businesses. This enables it to gain market share from less efficient government-owned banks. The newly installed management team has been able to consistently improve asset quality and enhance its underwriting culture. This has led to a marked improvement on its return on equity (currently in the mid-teens). The improvement in quality of its loan book is expected to continue.

## Sector Financials



## Bank Mandiri (Persero)

### Position size

2.3%

Bank Mandiri is Indonesia's second largest financial institution by assets. It has a strong balance sheet relative to its peers and its conservative approach and risk management efforts instil confidence that the impact in the current cycle should be well handled by the company. Renewed management focus and business process enhancements should also help accelerate fee income growth. The rising interest rate environment is also a positive backdrop for net interest margins and the company's digital prowess remains under-appreciated by the market.

## Sector Information Technology



## Focus Media Information Technology

### Position size

2.2%

Focus Media Information Technology is an out-of-home advertising company in China with around 80% market share. Out-of-home advertising is simply advertising that consumers are exposed to outside of their homes. This means any marketing material or advertisement is seen by consumers when they are in transit from one place to another or spending time doing an activity outdoors. Advertising is expected to grow faster than GDP and out-of-home advertising faster than overall advertising. The customers fund advertising in advance giving the business a strong cash profile. Its dominant market share provides scale as well as good rates, ensuring the company enjoys lower costs than its competitors.

# Spotlight on the Top 10 Holdings continued

as at 31 July 2022

## Sector Industrials



### Sinotrans

#### Position size

1.9%

Sinotrans is the largest logistics company in China focused on freight forwarding, warehousing and land logistics. It also runs a joint venture with DHL for parcel delivery. Even though it is a government-owned company, it has a consistent track record of growth and cash generation. The business is trading on 5x earnings.

## Sector Financials



### Shriram Transport Finance

#### Position size

1.9%

Shriram Transport Finance is a company in India that provides financing options for second-hand trucks to individuals who typically have limited or poor traditional credit records. The company enjoys 80% market share largely because the assessment of the credit risk is incredibly expert, while the asset valuing process is very specific to the types of vehicles that are leased. Furthermore, cash collection methods are another critical component of the success of the business. The company is also highly beneficial to society, allowing significant growth in entrepreneurship in impoverished groups, and has been built by a management team over several decades.

## Sector Information Technology



### Texwinca Holdings

#### Position size

1.9%

Texwinca Holdings is a Hong Kong-based apparel company supplying to major brands such as H&M, Uniqlo and Nike. The recent and sporadic lockdowns in China have led to a drop in demand and, as a result, the stock is very attractively valued. Its balance sheet is strong and its long-term growth prospects are also encouraging.

## Sector Industrials



### Gold Road Resources

#### Position size

1.9%

Gold Road Resources is a mid-tier Australian gold producer with good scale, long mine life and low production costs. The company's production has increased as a result of the successful ramp up in capacity at its Gruyere operations, near Perth, as well as the acquisition of DGO Gold. The company also sees exploration upside potential and generates strong free cash flows.

## Sector Industrials



### Granules India

#### Position size

1.9%

Granules India is a leading global manufacturer of several off-patent drugs, including Paracetamol, Ibuprofen, Metformin and Guifenesin. Its key strength is that it has a limited number of products, manufactured on a large scale, leading to a low cost of production and in minimal good manufacturing processes (GMP) issues. After completion of its capital expenditures, its balance sheet is expected to delever providing higher returns.

# Forty Largest Holdings

as at 31 July 2022

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

	Asset Exposure £'000	Fair Value £'000
<b>Long Exposures – shares unless otherwise stated</b>		
<b>HDFC Bank</b> Private sector bank	9,881	2.7 9,881
<b>Arwana Citramulia</b> Ceramics manufacturer	9,627	2.6 9,627
<b>Axis Bank</b> Private sector bank	9,448	2.6 9,448
<b>Bank Mandiri (Persero)</b> Banking institution	8,498	2.3 8,498
<b>Focus Media Information Technology (shares, long CFD and equity linked notes)</b> Advertising solution provider	8,125	2.2 7,808
<b>Sinotrans (shares and long CFD)</b> Logistics, storage and terminal services provider	7,125	1.9 5,723
<b>Shriram Transport Finance</b> Provider of hire purchase and lease finance for medium and heavy commercial vehicles	7,002	1.9 7,002
<b>Texwinca Holdings</b> Production and sales of dyed yarns and knitted fabrics	6,941	1.9 6,941
<b>Gold Road Resources</b> Gold production and exploration company	6,883	1.9 6,883
<b>Granules India</b> Pharmaceutical manufacturing company	6,876	1.9 6,876
<b>Federal Bank</b> Private sector bank	6,734	1.8 6,734
<b>BOC Aviation (long CFD)</b> Global aircraft operating leasing company	6,656	1.8 (95)
<b>China Overseas Grand Oceans Group (shares and long CFD)</b> Real estate business	6,636	1.8 2,719
<b>China Yongda Automobiles Services Holdings (shares and long CFD)</b> Investment holding company engaged in the sale of passenger vehicles and provision of related services	6,631	1.8 4,980
<b>Indofood CBP Sukses Makmur</b> Producer of packaged food products	6,590	1.8 6,590
<b>Chow Sang Sang Holdings International (shares and long CFD)</b> Jewellery retailer	6,166	1.7 5,751
<b>Qingdao Port International (shares and long CFD)</b> Provider of port services	5,522	1.5 5,352
<b>WH Group (shares and long CFD)</b> Meat and food processing company	5,413	1.5 4,180

# Forty Largest Holdings continued

		Asset Exposure £'000	% <sup>1</sup>	Fair Value £'000
<b>KEI Industries</b>	Manufacturer and supplier of cables and wires	5,166	1.4	5,166
<b>Japfa</b>	Industrial agri-food company	4,917	1.3	4,917
<b>PTC India</b>	Provider of power trading solutions in India	4,912	1.3	4,912
<b>Ascendas India Trust (shares and long CFD)</b>	Property trust	4,850	1.3	4,146
<b>Taiwan Semiconductor Manufacturing Company (long CFD)</b>	Developer, manufacturer and distributor of semiconductor related products	4,657	1.3	370
<b>Alibaba Group Holding (shares and long CFD)</b>	e-commerce group	4,627	1.3	2,464
<b>Shriram City Union Finance</b>	Financial service provider specialising in retail finance	4,547	1.2	4,547
<b>China Foods</b>	Food processing and trading company	4,383	1.2	4,383
<b>Crystal International Group (shares and long CFD)</b>	Manufacturer of clothing	4,356	1.2	4,140
<b>Taiwan Union Technology (shares and long CFD)</b>	Provider of professional support, value-added materials and advanced mass lamination service to the global electronics industry	4,348	1.2	4,235
<b>NHPC</b>	Hydropower developer	4,303	1.2	4,303
<b>Great Eastern Shipping</b>	Private sector shipping company	4,269	1.2	4,269
<b>Galaxy Entertainment Group (shares and long shares)</b>	Developer and operator of integrated entertainment and resort facilities	4,254	1.1	3,611
<b>Pacific Textile Holdings (shares and long CFD)</b>	Manufacturer of customised knitted fabric	4,175	1.1	2,949
<b>Cikarang Listrindo</b>	Electric power distribution company	4,106	1.1	4,106
<b>Interoj</b>	Manufacturer and seller of contact lenses	4,015	1.1	4,015
<b>Yixintang Pharmaceutical Group (shares and long CFD)</b>	Pharmaceutical retailer	3,940	1.1	3,788
<b>Xingda International Holdings</b>	Manufacturer and producer of radial tire cords, bead wires and other wires	3,874	1.0	3,874
<b>Powertech Technology</b>	Provider of turnkey services for chip probing, packaging and testing	3,624	1.0	3,624
<b>i-SENS</b>	Developer, producer and distributor of diabetes medical devices	3,617	1.0	3,617
<b>Housing Development Finance Corporation</b>	Housing finance provider	3,444	0.9	3,444

	Asset Exposure £'000	Fair Value £'000	% <sup>1</sup>
<b>SK Hynix (shares and long CFD)</b>			
Memory semiconductor supplier of dynamic random-access memory chips and flash memory chips	3,273	0.9	3,123
<b>Top forty long exposures</b>	<b>224,411</b>	<b>61.0</b>	<b>198,901</b>
Other long exposures	147,329	40.1	140,043
<b>Total long exposures before futures (137 holdings)</b>	<b>371,740</b>	<b>101.1</b>	<b>338,944</b>
<b>Add: long futures</b>			
MSCI All Countries Asia ex Japan Index Future 16/09/2022	3,997	1.1	(88)
<b>Total long exposures</b>	<b>375,737</b>	<b>102.2</b>	<b>338,856</b>
<b>Short exposures</b>			
Short CFDs (7 holdings)	7,277	2.0	(275)
Short future (1 holding)	682	0.2	(20)
<b>Total short exposures</b>	<b>7,959</b>	<b>2.2</b>	<b>(295)</b>
<b>Gross Asset Exposure<sup>2</sup></b>	<b>383,696</b>	<b>104.4</b>	
Forward currency contracts			(46)
<b>Portfolio Fair Value<sup>3</sup></b>			<b>338,515</b>
Net current assets (excluding derivative assets and liabilities)			29,108
<b>Total Shareholders' Funds/Net Assets</b>			<b>367,623</b>

1 Asset Exposure (as defined in the Glossary of Terms on page 88) is expressed as a percentage of Total Shareholders' Funds.

2 Gross Asset Exposure comprises market exposure to investments of £338,845,000 (per Note 10: Investments on page 62) plus market exposure to derivative instruments of £44,851,000 (per Note 11: Derivative Instruments on page 63).

3 Portfolio Fair Value comprises investments of £338,845,000 plus derivative assets of £972,000 less derivative liabilities of £1,302,000 (per the Balance Sheet on page 53)

A full list of the Company's holdings as at 31 July 2022 will be available on the Company's pages of the Manager's website at [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues) from the day of the AGM.

# Distribution of the Portfolio

as at 31 July 2022

(Asset Exposure expressed as a percentage of Total Shareholders' Funds)

Portfolio	China	India	Indonesia	Hong Kong	South Korea	Other	2022 Total	2022 Index <sup>1</sup>	2021 Total
<b>Financials</b>									
Banks									
	-	7.1	2.3	-	0.8	-	10.2	3.0	4.6
Real Estate Management & Development	3.0	0.4	-	-	-	1.3	4.7	4.7	2.2
Consumer Finance	-	4.0	0.3	-	-	-	4.3	1.3	3.9
Thrifts & Mortgage Finance	-	0.9	-	-	-	-	0.9	0.6	0.3
Insurance	-	-	-	-	0.8	-	0.8	1.1	1.2
Capital Markets	-	0.2	-	-	0.4	-	0.6	2.3	0.3
Real Estate Investment Trusts (REITs)	-	-	-	-	-	-	-	4.9	1.6
Diversified Financial Services	-	-	-	-	-	-	-	0.6	0.4
	<b>3.0</b>	<b>12.6</b>	<b>2.6</b>	<b>-</b>	<b>2.0</b>	<b>1.3</b>	<b>21.5</b>	<b>18.5</b>	<b>14.5</b>
<b>Consumer Discretionary</b>									
Textiles, Apparel & Luxury Goods	-	-	-	6.5	-	0.8	7.3	2.5	6.8
Specialty Retail	2.0	-	-	-	-	0.4	2.4	0.9	3.0
Auto Components	1.7	-	0.6	-	-	-	2.3	2.6	4.4
Diversified Consumer Services	0.5	-	-	-	-	1.7	2.2	0.7	1.5
Hotels, Restaurants & Leisure	-	-	0.8	1.2	-	-	2.0	2.3	1.1
Internet & Catalogue Retail	1.3	-	-	-	-	-	1.3	0.3	1.3
Leisure Products	-	-	-	0.9	-	0.2	1.1	0.4	2.6
Automobiles	-	-	-	-	-	0.3	0.3	0.5	0.6
Household Durables	-	-	-	-	-	-	-	1.5	0.7
Distributors	-	-	-	-	-	-	-	0.1	-
Multiline Retail	-	-	-	-	-	-	-	0.5	-
	<b>5.5</b>	<b>-</b>	<b>1.4</b>	<b>8.6</b>	<b>-</b>	<b>3.4</b>	<b>18.9</b>	<b>12.3</b>	<b>22.0</b>

Continued on the next page.

Portfolio	China	India	Indonesia	Hong Kong	South Korea	Other	2022 Total	2022 Index <sup>1</sup>	2021 Total
<b>Industrials</b>									
Building Products									
Building Products	0.5	-	2.6	-	-	-	3.1	0.8	2.1
Trading Companies & Distributors	1.8	-	0.3	-	-	-	2.1	0.6	1.0
Air Freight & Logistics	2.0	-	-	-	-	-	2.0	0.5	1.5
Electrical Equipment	-	1.7	-	-	-	-	1.7	2.7	1.9
Transportation Infrastructure	1.5	-	-	-	-	-	1.5	1.1	1.6
Professional Services	-	-	-	-	-	1.5	1.5	0.3	1.0
Machinery	0.7	-	-	0.4	-	-	1.1	4.0	1.7
Construction & Engineering	-	-	-	-	0.5	-	0.5	2.4	4.3
Commercial Services & Supplies	-	0.4	-	-	-	-	0.4	0.7	0.4
Marine	-	-	-	-	0.3	-	0.3	0.7	0.3
Airlines	-	-	-	-	-	0.2	0.2	0.2	0.8
Industrial Conglomerates	-	-	-	-	-	-	-	0.9	0.2
Aerospace & Defense	-	-	-	-	-	-	-	0.5	-
Road & Rail	-	-	-	-	-	-	-	0.3	-
	<b>6.5</b>	<b>2.1</b>	<b>2.9</b>	<b>0.4</b>	<b>0.8</b>	<b>1.7</b>	<b>14.4</b>	<b>15.7</b>	<b>16.8</b>
<b>Information Technology</b>									
Semiconductors & Semiconductor Equipment									
Semiconductors & Semiconductor Equipment	-	-	-	-	1.4	3.8	5.2	8.3	6.2
Electronic Equipment Instruments & Components	-	0.9	0.3	-	-	2.1	3.3	5.5	7.0
Technology Hardware Storage & Peripherals	-	-	-	-	-	1.3	1.3	1.9	0.5
Information Technology Services	-	0.5	-	-	-	0.6	1.1	1.8	2.3
Communications Equipment	-	-	-	-	-	-	-	0.8	0.2
Software	-	-	-	-	-	-	-	1.3	-
	<b>-</b>	<b>1.4</b>	<b>0.3</b>	<b>-</b>	<b>1.4</b>	<b>7.8</b>	<b>10.9</b>	<b>19.6</b>	<b>16.2</b>
<b>Consumer Staples</b>									
Food Products									
Food Products	-	-	1.8	1.4	-	2.5	5.7	2.8	5.6
Food & Staples Retailing	1.9	-	-	0.2	-	0.1	2.2	0.6	0.7
Beverages	1.2	-	-	-	-	0.1	1.3	0.5	1.1
Household Products	0.5	-	0.5	-	-	-	1.0	0.1	0.3
Tobacco	-	-	-	-	-	-	-	0.1	-
Personal Products	-	-	-	-	-	-	-	0.7	-
	<b>3.6</b>	<b>-</b>	<b>2.3</b>	<b>1.6</b>	<b>-</b>	<b>2.7</b>	<b>10.2</b>	<b>4.8</b>	<b>7.7</b>

# Distribution of the Portfolio continued

as at 31 July 2022

(Asset Exposure expressed as a percentage of Total Shareholders' Funds)

Portfolio	China	India	Indonesia	Hong Kong	South Korea	Other	2022 Total	2022 Index <sup>1</sup>	2021 Total
<b>Materials</b>									
Metals & Mining									
Metals & Mining	-	-	-	-	0.4	3.9	4.3	2.0	5.2
Chemicals	0.6	0.9	-	-	1.1	-	2.6	7.3	1.9
Construction Materials	0.7	-	-	-	-	-	0.7	1.3	0.9
Containers & Packaging	-	-	-	-	-	-	-	0.3	0.3
Paper & Forest Products	-	-	-	-	-	-	-	0.6	-
	<b>1.3</b>	<b>0.9</b>	-	-	<b>1.5</b>	<b>3.9</b>	<b>7.6</b>	<b>11.5</b>	8.3
<b>Health Care</b>									
Health Care Equipment & Supplies									
Health Care Equipment & Supplies	0.9	-	-	-	3.4	-	4.3	0.9	2.0
Pharmaceuticals	-	1.9	0.5	-	-	-	2.4	3.8	2.9
Health Care Providers & Services	0.2	-	0.3	-	-	0.3	0.8	1.8	2.2
Life Sciences Tools & Services	-	-	-	-	-	0.1	0.1	0.4	0.1
Biotechnology	-	-	-	-	-	-	-	2.1	-
	<b>1.1</b>	<b>1.9</b>	<b>0.8</b>	-	<b>3.4</b>	<b>0.4</b>	<b>7.6</b>	<b>9.0</b>	7.2
<b>Utilities</b>									
Independent Power & Renewable Electricity Producers									
Independent Power & Renewable Electricity Producers	-	2.5	1.1	-	-	1.1	4.7	0.9	2.9
Electric Utilities	-	1.1	-	0.3	-	-	1.4	0.2	2.7
Multi Utilities	-	-	-	-	-	-	-	0.3	-
Water Utilities	-	-	-	-	-	-	-	0.2	-
Gas Utilities	-	-	-	-	-	-	-	0.7	-
	<b>-</b>	<b>3.6</b>	<b>1.1</b>	<b>0.3</b>	<b>-</b>	<b>1.1</b>	<b>6.1</b>	<b>2.3</b>	5.6
<b>Energy</b>									
Oil, Gas & Consumable Fuels									
Oil, Gas & Consumable Fuels	1.3	1.2	-	-	-	0.7	3.2	1.7	2.0
Energy Equipment & Services	-	-	-	-	-	0.2	0.2	0.1	-
	<b>1.3</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>3.4</b>	<b>1.8</b>	2.0
<b>Communications Services</b>									
Media									
Media	2.3	-	-	-	-	-	2.3	0.9	0.9
Wireless Telecommunication Services	-	-	-	-	-	0.2	0.2	0.4	0.5
Entertainment	-	-	-	-	-	-	-	1.6	0.1
Diversified Telecommunication Services	-	-	-	-	-	-	-	1.3	-
Interactive Media & Services	0.2	-	-	-	-	-	0.2	0.3	-
	<b>2.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>2.7</b>	<b>4.5</b>	1.5
<b>Exposure before long futures</b>	<b>24.8</b>	<b>23.7</b>	<b>11.4</b>	<b>10.9</b>	<b>9.1</b>	<b>23.4</b>	<b>103.3</b>		
Add: long futures	-	-	-	-	-	1.1	1.1		1.2
<b>Total Asset Exposure</b>									
<b>- 2022</b>	<b>24.8</b>	<b>23.7</b>	<b>11.4</b>	<b>10.9</b>	<b>9.1</b>	<b>24.5</b>	<b>104.4</b>		
<b>Index - 2022</b>	<b>10.5</b>	<b>25.6</b>	<b>3.0</b>	<b>6.0</b>	<b>16.6</b>	<b>38.3</b>		<b>100.0</b>	
Total Asset Exposure - 2021	23.8	22.5	6.9	9.7	9.6	30.5			103.0

<sup>1</sup> MSCI All Countries Asia ex Japan Small Cap Index (net) total return in Sterling terms, the Company's Comparative Index.

# Ten Year Record

For the year ended 31 July	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross Asset Exposure (£m) <sup>1</sup>	<b>383.7</b>	375.2	276.6	347.4	285.2	273.7	232.0	162.9	192.3	167.4
Shareholders' Funds (£m)	<b>367.6</b>	364.1	269.4	323.0	288.0	280.2	237.5	178.9	172.8	155.8
NAV per Ordinary Share - undiluted (p) <sup>2</sup>	<b>507.78</b>	497.50	364.39	447.16	419.36	415.17	351.98	265.14	255.99	230.24
NAV per Ordinary Share - diluted (p) <sup>2</sup>	<b>n/a</b>	n/a	n/a	439.91 <sup>3</sup>	413.64 <sup>3</sup>	407.77 <sup>3</sup>	n/a	n/a	n/a	n/a
Ordinary Share Price (p)	<b>458.00</b>	483.00	335.00	455.50	412.00	386.00	313.00	236.88	224.00	204.50
Subscription Share Price (p)	<b>n/a</b>	n/a	n/a	53.00	23.50	29.50	n/a	n/a	n/a	n/a
(Discount)/Premium - undiluted (%) <sup>2</sup>	<b>(9.8)</b>	(2.9)	(8.1)	1.9	(1.8)	(7.0)	(11.1)	(10.7)	(12.5)	(11.2)
Premium/(Discount) - diluted (%) <sup>2</sup>	<b>n/a</b>	n/a	n/a	3.5 <sup>3</sup>	(0.4) <sup>3</sup>	(5.3) <sup>3</sup>	n/a	n/a	n/a	n/a
Revenue return per Ordinary Share (p) <sup>2</sup>	<b>14.21</b>	9.20	8.64	10.70	5.70	6.08	5.36	2.26	1.14	1.05
Dividend per Ordinary Share (p)	<b>14.00</b>	8.80	8.50	8.80	5.50	5.00	4.50	2.00	1.10	1.10
Ongoing Charges (cost of running the Company) (%) <sup>2</sup>	<b>0.95</b>	0.93	0.98	0.98	1.17	1.22	1.33	1.42	1.50	1.55
Gross Gearing (%) <sup>2,5</sup>	<b>4.4</b>	3.0	2.7	7.5	(1.0)	(2.3)	(2.3)	(9.0)	11.3	7.4
NAV total return - undiluted (%) <sup>2</sup>	<b>+3.9</b>	+39.5	-16.7	+8.2	+2.2	+19.3	+33.8	+4.0	+11.7	+18.4
NAV total return - diluted (%) <sup>2</sup>	<b>n/a</b>	n/a	n/a	+7.9 <sup>3</sup>	+2.7 <sup>3</sup>	+17.2 <sup>3</sup>	n/a	n/a	n/a	n/a
Ordinary Share Price total return (%) <sup>2</sup>	<b>-3.4</b>	+47.6	-24.8	+12.3	+8.2	+24.9	+33.3	+6.2	+10.1	+16.8
Comparative Index total return (%) <sup>6</sup>	<b>-5.6</b>	+39.2	-0.8	-4.6	+4.7	+15.6	+13.1	n/a	n/a	n/a
Benchmark Index total return (%) <sup>7</sup>	<b>-5.6</b>	+39.2	+2.7	+3.9	+5.7	+28.2	+15.8	+0.3	+5.4	+12.0

1 The value of the portfolio exposed to market price movements.

2 Alternative Performance Measures.

3 The dilution relates to the subscription shares offer that closed in December 2019.

4 The dilution relates to the subscription share offer that closed in June 2013.

5 Gross Asset Exposure in excess of/(less than) Total Shareholders' Funds expressed as a percentage of Total Shareholders' Funds (see Note 18 on page 74).

6 MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms).

7 MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) since 1 February 2020. Prior to that and since 1 August 2015, it was the MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms). The variable management fee element of the management fee is measured against the Benchmark Index.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

# Strategic Report

## Business and Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved as an investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010 and it is intended that the Company will continue to conduct its affairs in a manner that will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a "close" company for taxation purposes and has no employees, premises, assets or operations.

## Investment Objective and Policy

The Company's objective is to achieve capital growth principally from the stockmarkets of the Asian Region\* excluding Japan. The Company's performance is measured against the return of its Comparative Index, the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms).

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities and instruments issued by or related to companies listed on the stockmarkets in the Asian Region\* excluding Japan but investments may be made in companies listed elsewhere which, in the opinion of the Portfolio Manager, have significant interests in the Asian Region\* excluding Japan.

In order to diversify the Company's portfolio, the Board has set broad guidelines for the Manager, which the Board reserves the right to amend as it sees fit, in respect of the country weightings of the portfolio. 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 and in other investment funds, subject to the investment restrictions set out below.

No material change will be made to the investment objective and policy without shareholder approval.

## Investment Strategy

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

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to the Manager. The Portfolio Manager, Nitin Bajaj, aims to achieve a total return on the Company's net assets over the longer-term in excess of the equivalent return on the Company's Comparative Index. The stock selection approach adopted by the Portfolio Manager is considered to be well-suited to achieving this objective.

## Investment Management Philosophy, Style and Process

The portfolio is built on a stock by stock basis following the Portfolio Manager's assessment of the fundamental value

available in individual securities. Geographical weightings are the result of this stock selection process rather than macroeconomic considerations. The portfolio's geographical weightings may, therefore, vary significantly from the weightings in its Comparative Index. Further, the Portfolio Manager's concentration on the identification of fundamental value in individual stocks within the Asian Region may result in investments that are contrary to prevalent trends and local conventions.

## Investment Restrictions

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

- No single or aggregate investment in any one company or other investment entity shall represent more than 10% of its Gross Assets, measured at the time of any investment.
- Up to 5% of its Gross Assets, at the time of investment, in securities which are not listed on any stock exchange. However the Portfolio Manager will only make any such investment, where it is expected that the securities will become listed on a stock exchange in the foreseeable future.
- Up to 15% of its Gross Assets, at the time of investment, in other investment funds (whether listed or unlisted) where such funds offer the only practicable means of gaining exposure to a particular market in the Asian Region\* excluding Japan. Within this limit, no more than 10% of Gross Assets, at the time of investment, may be invested in funds that do not have stated policies to invest more than 15% of their Gross Assets in other listed closed-ended funds.
- Up to 5% of its Gross Assets, at the time of investment, in securities which are not listed or domiciled in the Asian Region\*, provided the investments have a strong Asian Region\* rationale.

The Company is permitted to invest in Non-Voting Depositary Receipts, American Depositary Receipts, Global Depositary Receipts and Equity Linked Notes. Any such investment will be included in the relevant aggregate country weightings.

\* Asian Region means the continent of Asia (including Hong Kong, South Korea, Thailand, Singapore, Malaysia, Taiwan, Indonesia, Philippines, China, India, Pakistan and Sri Lanka, but excluding Japan, the countries comprising the former U.S.S.R. and the Middle East), together with Australasia.

## Use of Derivative Instruments

In order to meet its investment objective, the Company may utilise derivative instruments, including index-linked notes, futures, contracts for differences ("CFDs"), call options (including covered calls), put options and other equity related derivative instruments.

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

- As an alternative form of gearing to bank loans, the Company can enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs. The Company does not currently use bank borrowings for gearing purposes.

- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at reasonable costs.
- To enhance the investment returns by taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

The Board has created strict policies and exposure limits and sub-limits to manage derivatives.

Derivative use is limited in terms of the value of the total portfolio to which the Company is exposed, whether through direct or indirect investment. The Board adopts the policy that:

- Net Market Exposure will not exceed the NAV of the Company by more than 30%; and
- Gross Asset Exposure will not exceed the NAV of the Company by more than 40%.

Notwithstanding the Board's intention in the medium to long-term to maintain a Net Market Exposure within a range of between 90%-115%, in the short-term the Net Market Exposure may fall outside of this range from time to time, having regard to the Portfolio Manager's investment style and philosophy as well as the markets he operates in. The sum of all short exposures of the Company from derivatives, excluding hedges, will not exceed 10% of total net assets.

The majority of the Company's exposure to equities will be through direct investment and not through derivatives. In addition, the limits on exposure to individual companies and groups are calculated after translating all derivative exposures into economically equivalent amounts of the underlying assets.

#### Key Performance Indicators

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

	Year ended 31 July 2022	Year ended 31 July 2021
	%	%
NAV per Ordinary Share total <sup>1</sup>	<b>+3.9</b>	+39.5
Ordinary Share Price total return <sup>1</sup>	<b>-3.4</b>	+47.6
Comparative Index total return <sup>2</sup>	<b>-5.6</b>	+39.2
Discount to NAV <sup>1</sup>	<b>9.8</b>	2.9
Ongoing Charges <sup>1,3</sup>	<b>0.95</b>	0.93

1 Alternative Performance Measures.

2 MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms).

3 The Board has a policy of ensuring that the costs of running the Company are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs above, the Board also monitors the Company's performance against its peer group of investment companies. Commentary on performance for the year ended 31 July 2022 can be found in the Chairman's Statement and Portfolio Manager's Review on pages 2 to 9. Long-term performance is also monitored and is set out in the Ten Year Record on page 23.

#### 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 and liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited ("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 and assigns a rating to each risk. The risk matrix is reviewed by the Audit Committee at least once annually. The Board has also established associated policies and processes designed to manage, and where possible, mitigate identified risks which are then monitored in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives and works with the Manager, who also has responsibility for risk management for the Company, to continue to meet its UK corporate governance obligations.

Climate change is one of the most critical emerging issues confronting asset managers and their investors. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 12 to 14. The Board will continue to monitor how this may impact the Company as a risk, the main risk being the impact on investment valuations.

# Strategic Report continued

The Board considers the risks listed below and on the next two pages to be the principal risks and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
<b>Economic, Political and Market Risks</b>	<p>The principal market related risks are market downturns, interest rate movements, deflation/inflation, exchange rate movements and market shocks, such as the ongoing pandemic and military conflict. Inflation continues to trend higher across most economies, driven by a combination of increased demand, as the pandemic restrictions are lifted, global labour shortages in some sectors and supply chain shortages. The Company is exposed to geopolitical risks on a number of fronts. In December 2021, the US issued a further Executive Order prohibiting transactions by US persons in publicly traded securities of certain Chinese companies. Any further restrictions on listings of Chinese companies in the US could negatively impact the demand for such stocks, and consequently, their share price. Although this is not directly relevant to the Company, it may have an indirect impact on the demand for equities in the portfolio. Additionally, the Company may be exposed to the economic impact from the war in Ukraine. Russia and Ukraine are both significant net exporters of oil, natural gas and a variety of soft commodities and supply limitations are fuelling global inflation and economic instability, specifically within western nations. Whilst the direct impact of the war to APAC markets has been less severe than European counterparts, a prolonged cost-of-living crisis risks impacting western shareholder funds and appetite. The fragile relations between US and China risk further deterioration, should China offer any meaningful support to Russia or if tensions escalate in the Taiwan Straits. The first is likely to result in sanctions or a trade war, and the latter, in military conflict.</p> <p>The Company's portfolio is made up mainly of listed securities. The Portfolio Manager's success or failure to protect and increase the Company's value against the above background is core to the Company's continued success. His investment philosophy of stock-picking and investing in attractively valued companies aims to outperform the Comparative Index over time.</p> <p>COVID continues to be a global pandemic with the potential for severe market and economic impacts. The risk of the likely effects of the ongoing pandemic on the markets is 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 economic, political and market risks and legislative changes at each Board meeting.</p> <p>Most of the Company's assets and income are denominated in currencies other than Sterling which is the Company's functional and presentation currency. As a result, movements in exchange rates may affect the Sterling value of these items.</p> <p>Risks to which the Company is exposed to in the market and currency risk category are included in Note 17 to the Financial Statements on pages 66 to 74 together with summaries of the policies for managing these risks.</p>
<b>Discount Management Risk</b>	<p>Due to the nature of investment companies, the price of the Company's shares and its 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 and within the parameters set by the Board. The Company's share price, NAV and discount volatility are monitored daily by the Manager and the Company's Broker and considered by the Board on a regular basis. The demand for shares can be influenced through good performance and an active investor relations programme.</p>

Principal Risks	Description and Risk Mitigation
<b>Cybercrime and Information Security Risks</b>	<p>The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever-increasing threat. The risk is frequently re-assessed by Fidelity International's ("Fidelity") 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 pandemic and from the Russia/Ukraine conflict. These primarily relate to phishing, remote access threats, extortion and denial of services attacks. The Manager has dedicated detect and respond resources specifically to monitor the cyber threats associated with COVID and cyber activity following the Russian invasion of Ukraine. There are a number of mitigating actions in place including, control strengthening, geo-blocking, phishing mitigants combined with enhanced resilience and recovery options.</p>
<b>Investment Performance Risk (including the use of Derivatives and Gearing)</b>	<p>The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as investment strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Comparative Index and/or peer group companies. Continued underperformance could lead to the Company and its objectives becoming unattractive to investors. The Investment Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile.</p> <p>In order to manage this risk, the Board reviews Fidelity's compliance with agreed investment restrictions; investment performance and risk; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in the markets. The Board also regularly canvasses major shareholders for their views with respect to company matters.</p> <p>Derivative instruments are used to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. Further details on derivative instruments risk is included in Note 17 to the Financial Statements on pages 66 to 74.</p> <p>The Company gears through the use of long CFDs which provide greater flexibility and are currently cheaper than bank loans. 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>
<b>Shareholder Relationship Risk</b>	<p>There is a risk that the Board has insufficient access to shareholders or that the Portfolio Manager's investment style is not appealing for investors. A further risk is that weak investment performance may potentially make the Company less attractive to retail investors and wealth managers.</p> <p>The shareholder register and shareholder activity are reviewed at each Board meeting and regular shareholder meetings are organised by the Broker with the Board and Fidelity, including the Portfolio Manager. Fidelity has an investment trusts website which has dedicated pages for the Company and regular updates are provided for investors.</p>

# Strategic Report continued

Principal Risks	Description and Risk Mitigation
<b>Key Person Risk</b>	<p>The Portfolio Manager, Nitin Bajaj, has a differentiated style in relation to his peers. This style is intrinsically linked with the Company's investment philosophy and strategy and, therefore, the Company has a key person dependency on him. The Company has an Assistant Portfolio Manager, Ajinka Dhavale, who supports the Portfolio Manager, and has extensive experience in the Asian markets and companies and shares a common investment approach and complementary investment experience with the Portfolio Manager. Fidelity has succession plans in place for its portfolio managers which have been discussed with the Board and provide some assurance in this regard.</p>
<b>Environmental, Social and Governance ("ESG") Risk</b>	<p>There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate change risk. Fidelity 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 127 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 is on pages 12 to 14.</p>
<b>Business Continuity and Operational Risks</b>	<p>Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed when working from home during the pandemic, and more recently, from the rail strikes.</p> <p>With variants of COVID continuing to evolve, it is evident that although the pandemic is being tackled by vaccines, risks remain. There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The risks following Russia's invasion into Ukraine, specifically regarding the potential loss of power and/or broadband services, are increasingly stable as work transfer recovery options are established for business-critical activities.</p> <p>The Manager 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. There has not been any significant changes to Fidelity's control environment as a result of the pandemic and the Manager has provided the Board with assurance that the Company has appropriate business continuity plans and the provision of services has continued to be supplied without interruption during the pandemic.</p> <p>Specific risks posed by the pandemic continue to ease with increasing levels of staff returning to routine office-based working, albeit under hybrid working arrangements which allows greater flexibility on remote working as part of the new operating model.</p> <p>The Company's other third party service providers, principally the Registrar, Custodian and Depositary, have also confirmed the implementation of similar measures to ensure no business disruption and that they continue to manage their operational risk and have appropriate business continuity plans in place. 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 raised are 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>

Other risks facing the Company include:

#### **Tax and Regulatory Risks**

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status resulting in the Company being subject to tax on capital gains. The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

#### **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 31 October 2023 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 evolving variants of COVID, the war in Ukraine and significant market events as set out in the Business Continuity and Operational Risks on the previous page. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement below.

#### **Viability Statement**

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis above. The 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 and their potential impact as set out on pages 25 to 28 and above;

- The future demand for the Company's shares;
- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

For the five year reporting period to 31 July 2022, the Company's NAV total return performance of +33.5% was ahead of the +30.2% total return of the Comparative Index. In comparison, the share price total return was +30.1%. The Board regularly reviews the investment policy and considers 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 Company's portfolio mainly comprises 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 preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the climate change risk identified within the ESG Risk on page 28. The Board has also considered the impact of regulatory changes and how this may affect the Company.

A continuation vote takes place every five years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company's NAV and share price is poor. The last continuation vote was at the Company's AGM held on 3 December 2021. The next continuation vote will take place at the AGM in 2026.

#### **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.

# Strategic Report continued

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 by the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential shareholders, the external appointed Manager (FIL Investment Services (UK) Limited) and other third-party professional service providers. The Board considers that the interest of these stakeholders is 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 pages 24 and 25.

The Board places great importance on communication with shareholders. The Annual General Meeting ("AGM") provides the key forum for the Board and the Portfolio Manager to present to the shareholders on the Company's performance and future plans and the Board encourages all shareholders to attend either in person or virtually and raise any questions or 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](mailto:investmenttrusts@fil.com). The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators during 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 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 investment 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 10 to 14.

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:

- Seeking shareholder approval at the AGM on 3 December 2021 for the continuation of the Company (continuation votes are held every five years);
- Authorising the repurchase of 352,816 ordinary shares up to the date of this Annual Report when the Company's discount widened, in line with the Board's discount management policy;
- The decision to recommend a final dividend of 14.00 pence per ordinary share, the highest rate paid since the Company was launched;
- The decision to hold a hybrid AGM in 2022 in order to make it more accessible to those investors who prefer not to attend in person; and
- As part of the Board's succession plans, the appointments of Sally Macdonald and Matthew Sutherland to the Board with effect from 1 January 2022.

## Board Diversity

As at the date of this Annual Report, there were three male Directors and three female Directors on the Board. The Board carries out any candidate search against a set of objective criteria and on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. Although the Company is not a FTSE 350 company, the Board's composition exceeds the target of 33% of women on FTSE 350 company boards set by the Hampton-Alexander Review.

## CORPORATE AND SOCIAL RESPONSIBILITY

### Environmental, Social, and Governance in the Investment Process

The Board has contracted with the Manager to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an increasingly 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](http://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 12 to 14 and are part of this Strategic Report.

**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.

**Bribery Act 2010 and Criminal Finances Act 2017**

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 has adopted a zero tolerance policy in respect to bribery and tax evasion and its facilitation.

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 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.

By Order of the Board

**FIL Investments International**

Secretary

11 October 2022

# Board of Directors



**Kate Bolsover<sup>1</sup>**

Chairman (since 9 December 2014)

Appointed 1 January 2010



Kate Bolsover is a non-executive Director of Baillie Gifford & Co. Ltd and Bellevue Healthcare Trust plc. She is a Senior Independent Director of Invesco Bond Income Plus Limited and TR Property Investment Trust PLC. Between 1995 and 2005, she worked for Cazenove Group plc and J.P. Morgan Cazenove as Managing Director of the mutual fund business and latterly Director of Corporate Communications. Prior to this, she worked in business development and mutual funds covering countries in the Far East.



**Clare Brady**

Senior Independent Director

(since 22 April 2021)

Appointed 1 August 2019



Clare Brady is a chartered governance professional with 35 years' experience in banking and financial services. She is currently a non-executive director of Credit Suisse Group AG and chairs their Conduct and Financial Crime Compliance Committee. She is a member of the Audit and Risk Commission of the International Federation of Red Cross and Red Crescent Societies and a Trustee of The Golden Charter Trust. In her executive career, she was most recently a Director of the International Monetary Fund (IMF) and prior to that, the Auditor General at the World Bank, based in Washington D.C. Previously, Clare headed audit and compliance functions at the Bank of England, Barclays Capital, HSBC and Deutsche Bank.



**Sally Macdonald**

Director

Appointed 1 January 2022



Sally Macdonald is a non-executive Director of JP Morgan Japanese Investment Trust plc and Evelyn Partners Fund Solutions (formerly Smith & Williamson Fund Administration Limited). She was, until recently, the Head of Asian Equities at Marlborough Fund Managers. She has more than thirty-five years' experience of financial markets, which includes almost thirty years as an Asian fund manager. She has previously run the Asian desks for Sanwa, Lazard Brothers Asset Management, Canada Life, Morley (Aviva), Dalton Strategic Partnership and City of London Investment Group.



**Grahame Stott**

Director

Appointed 24 September 2013

Retiring 23 November 2022



Grahame Stott is Chairman of the Management Board of the Institute and Faculty of Actuaries. He is also a non-executive Director and Chairman of the Audit Committee and the Remuneration Committee of China Motor Bus Company Limited. He is a Fellow of the Institute and Faculty of Actuaries and an Affiliate of the ACCA. He has extensive consultancy experience and insight into the intermediary market. He spent 20 years at Watson Wyatt in Hong Kong, and became the regional Director for 12 countries across Asia Pacific. He also served as the Head of Watson Wyatt's Global Investment Consulting Business. His background is in working with fast growing listed companies.



**Matthew Sutherland**

Director

Appointed 1 January 2022



Matthew Sutherland has 32 years' experience of working in financial markets, primarily as an equity analyst and head of research, of which the last twenty-four were spent living in Asia covering Asian markets. Until 2016, he worked for Fidelity International, running its highly regarded Asian equity research team of over 70 analysts from its Hong Kong and Tokyo offices. He was also responsible for hiring and training analysts in India, China, Korea, Hong Kong, Singapore, Japan and Australia which included coverage of all the Asian stock markets. Prior to joining Fidelity, he was Country Head for HSBC Securities in Taiwan and worked for BNP Paribas in Manila.



**Michael Warren**

Director

Appointed 29 September 2014



Michael Warren is a non-executive Director of Henderson Smaller Companies Investment Trust plc, Carrington Investments and Rathbones Unit Trust Management Ltd. He is also an advisor to Gresham House Asset Management Ltd (formerly known as Livingbridge LLP). He is a past non-executive Director of Liontrust Panthera, Alquity Investment Management Ltd and Vindependents. He worked for Thames River Capital from 2007 until 2012 as Investment Director. Prior to that he worked at HSBC Investments, where he was responsible for Institutional and Retail distribution, and before that at Deutsche Asset Management, where he was a main board member. Latterly, he served as Managing Director of the UK mutual fund business, DWS.

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

<sup>1</sup> In accordance with the AIC Code, the Board considers Mrs Bolsover to remain independent notwithstanding the fact that her total tenure on the Board exceeds nine years as a non-executive Director.

## Committee membership key



Audit Management Engagement



Nomination



Committee Chair

# Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 July 2022.

## Results and Dividends

The Company's results for the year ended 31 July 2022 are set out in the Income Statement on page 51. The revenue return was 14.21 pence and the capital return was 4.31 pence, giving a total return of 18.52 pence per ordinary share.

The Directors recommend that a final dividend of 14.00 pence (2021: 8.80 pence) per ordinary share be paid on 7 December 2022 to shareholders who appear on the share register as at the close of business on 28 October 2022 (ex-dividend date 27 October 2022).

## The Board

All Directors served on the Board throughout the year ended 31 July 2022 and up to the date of this report, with the exception of Sally Macdonald and Matthew Sutherland who were both appointed on 1 January 2022. A brief description of all serving Directors as at the date of this report is shown on page 32 and indicates their qualifications for Board membership.

In line with the Board's succession plan, Grahame Stott will not be seeking re-election at the AGM on 23 November 2023.

## Management Company

FIL Investment Services (UK) Limited ("FISL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FISL, as the Manager, has delegated the portfolio management of assets and the role of the 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. It may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 36.

## Management Fee

Since 1 August 2018, the Company has had a variable management fee arrangement which comprises a base management fee of 0.70% of net assets per annum and a +/- 0.20% variable fee based on performance of the NAV per share relative to the Company's Benchmark Index. The variable management fee is calculated daily by referencing the performance of the Company's NAV to the Benchmark Index on a three year rolling basis. It increases or decreases 0.033% for each percentage point of the three year NAV per share

outperformance or underperformance over the Benchmark Index up to a maximum of +0.20% or a minimum of -0.20%. Therefore, the maximum fee that the Company will pay is 0.90% of net assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.50% of net assets. Any increase to the NAV from the repurchase or issue of shares is removed from the fee calculation, so that the Manager cannot benefit from performance outside of portfolio management activities.

In addition, the Company pays the Manager a secretarial and administration fee of £75,000 per annum.

The total management fee for the year ended 31 July 2022 is detailed in Note 4 on page 58 and the secretarial and administration fee is detailed in Note 5 on page 59.

## Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 23 November 2022.

## 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 report confirms that:

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

## Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 35 to 38.

## 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, under a tri-partite agreement, as its Depositary, which is primarily responsible for the oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 59.

## Share Capital

The Company's share capital comprises ordinary shares of 25 pence each which are fully listed on the London Stock Exchange. As at 31 July 2022, the issued share capital of the Company was 75,580,889 ordinary shares (2021: 75,580,889) of which 3,182,553 shares are held in Treasury (2021: 2,402,010). Therefore, the number of shares with voting rights was 72,398,336 (2021: 73,178,879).

## Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to

# Directors' Report continued

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 only exercise these authorities if deemed to be in the best interests of shareholders at the time.

## Ordinary Share Issues

No ordinary shares were issued during the year ended 31 July 2022 (2021: nil) and none have been issued since then and as at the date of this report.

The authorities to issue ordinary shares and to disapply pre-emption rights expire at the AGM on 23 November 2022 and resolutions to renew these authorities will be put to shareholders at this AGM.

## Ordinary Share Repurchases

During the year ended 31 July 2022, 780,543 ordinary shares were repurchased for holding in Treasury (2021: 753,228). Since then and as at the date of this report a further 352,816 ordinary shares have been repurchased into Treasury.

The authority to repurchase ordinary shares expires at the AGM on 23 November 2022 and a resolution to renew the authority to repurchase shares, either for cancellation or to hold them in Treasury, will be put to shareholders at this AGM.

## Substantial Share Interests

As at 31 July 2022 and 31 August 2022, the shareholders listed in the table below held more than 3% of the issued ordinary share capital of the Company.

Shareholders	31 July 2022 %	31 August 2022 %
Fidelity Platform Investors	<b>14.32</b>	14.31
Charles Stanley	<b>7.21</b>	7.30
Interactive Investor	<b>7.05</b>	7.10
Hargreaves Lansdown	<b>7.03</b>	7.04
Evelyn Partners	<b>6.32</b>	6.38
Brewin Dolphin	<b>4.51</b>	4.52
Rathbones	<b>3.88</b>	3.72

## Additional Information Required in the Directors' Report

Information on proposed dividends, financial instruments and disclosure on Streamlined Energy and Carbon Reporting is set out in the Strategic Report on pages 24 to 31.

By Order of the Board

**FIL Investments International**

Secretary

11 October 2022

# Corporate Governance Statement

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

## Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018. The Board also follows the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("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 42, set out how the principles have been applied.

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

## Statement of Compliance

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

## THE BOARD

### Board Composition

The Board, chaired by Kate Bolsover, consists of six non-executive Directors as at the date of this Annual Report. The Directors believe that, between them, they have good knowledge and wide experience of business in Asia and of investment companies and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board's succession plan is in the Chairman's Statement on pages 3 and 4.

Clare Brady 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.

Biographical details of all the Directors are on page 32.

## Training, Development and Board Evaluation

On appointment, Directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are considered as part of the evaluation process and are agreed with the Chairman.

An external evaluation of the Board, its Committees and the Manager was carried out through Lintstock Ltd., which has no connection with the Company or the Manager. It was concluded that the Chairman, each Director and the Manager had been effective and continues to demonstrate commitment to their roles.

## Directors' and Officers' Liability Insurance

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

## Board Responsibilities and Board Meetings

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. The Board also considers shareholder issues including communication and investor relations.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on the next page gives the attendance record for the meetings held during the reporting year. In addition to the formal Board and Committee meetings, the Board also holds a separate annual Strategy meeting. Under normal circumstances, it also undertakes a due diligence trip to Asia every other year and meets with the management of existing and potential investee companies, alongside the Portfolio Manager, including Fidelity International's research and analyst teams. However, due to the ongoing pandemic and travel restrictions in some countries, the trip that was rescheduled from March 2020 to March 2022, has been further postponed to March 2023. In its place, the Board carried out a series of due diligence sessions virtually in March 2022.

# Corporate Governance Statement continued

## Board's Attendance Record for the Reporting Year

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Kate Bolsover	5/5	n/a	1/1	1/1
Clare Brady	5/5	3/3	1/1	1/1
Sally Macdonald <sup>1</sup>	3/3	2/2	n/a	1/1
Timothy Scholefield <sup>2</sup>	2/2	1/1	1/1	n/a
Grahame Stott	5/5	3/3	1/1	1/1
Matthew Sutherland <sup>1</sup>	3/3	2/2	n/a	1/1
Michael Warren	5/5	3/3	1/1	1/1

<sup>1</sup> Appointed on 1 January 2022.

<sup>2</sup> Retired on 3 December 2021.

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.

Since the end of the reporting period, the Directors have also had a Management Engagement Committee meeting at which they reviewed the performance of the Manager and the terms of the Company's Management Agreement.

## BOARD COMMITTEES

The Board has three Committees 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 can be found on the Company's pages of the Manager's website [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues).

### Audit Committee

The Audit Committee is chaired by Grahame Stott and consists of all of the Directors, except for Kate Bolsover which is in line with the recommendation of the 2018 UK Corporate Governance Code. Full details, including the Committee's role and responsibilities, are disclosed in the Report of the Audit Committee on pages 43 and 44.

### Management Engagement Committee

#### Composition

The Management Engagement Committee is chaired by Michael Warren and consists of all of the Directors.

#### Role and Responsibilities

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

#### Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee structure and also that of its peers and concluded that it is in the interests of shareholders that the appointment of the Manager should

continue. In reaching this conclusion, the Committee took into consideration the commitment, quality and continuity of the team responsible for the Company. Details of the management fee structure for the year ended 31 July 2022 are in the Directors' Report on page 33.

### Nomination Committee

#### Composition

The Nomination Committee is chaired by Kate Bolsover and consists of all of the Directors. In accordance with the AIC Code, the Board considers Mrs Bolsover to remain independent notwithstanding the fact that her total tenure on the Board exceeds nine years as a non-executive Director.

#### Role and Responsibilities

The Committee is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. The search for a candidate is carried out against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit and this process has led to a diverse Board membership. External consultants may be used to identify potential candidates and to assist the Board in recruiting a new independent non-executive director. This was the case for the recruitment of Sally Macdonald and Matthew Sutherland through the services of Odgers Berndson, who had no connection with the Company. Both Mrs Macdonald and Mr Sutherland's appointments were effective from 1 January 2022.

The Committee meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as appropriate. It is also responsible for succession planning and for Directors' appointments.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM on 23 November 2022, it has considered the performance and contribution to the Company of each Director subject to election and re-election and concluded that each Director has been effective and continues to demonstrate commitment to their role. Accordingly, the Committee has recommended their continued service to the Board, with the exception of Grahame Stott who is stepping down from the Board at the conclusion of the AGM.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

Set out on page 42 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 45 to 50. The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All financial statements are reviewed by the Audit Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

### Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and 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 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. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Company's Auditor and also includes consideration of internal controls covered in similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The process also assists in identifying any new emerging risks and the action necessary to mitigate their potential impact. The Board confirms that there is an effective ongoing process in place 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 July 2022 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

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

### Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors, are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or 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 all shareholders to attend the Company's AGM on 23 November 2022 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.

Nitin Bajaj, 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.

For those shareholders who would prefer not to attend in person, we will live-stream the formal business and presentations of the meeting online. Further details of how to join virtually are in Note 8 in the Notes to the Notice of Meeting on page 83.

# Corporate Governance Statement continued

## **Annual General Meeting**

The Notice of Meeting on pages 81 to 84 sets out the business of the AGM and the special business resolutions are explained more fully on pages 79 and 80. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

On behalf of the Board



**Kate Bolsover**

Chairman

11 October 2022

# Directors' Remuneration Report

## Directors' Remuneration

The fee structure with effect from 1 August 2022 is as follows: Chairman – £42,000 (2021: £37,000); Chairman of the Audit Committee – £35,000 (2021: £31,000); and Directors – £29,000 (2021: £26,750). Levels of remuneration are reviewed to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

At last year's AGM, the Company's Articles of Association were updated to amend the individual fee cap of £50,000 per annum per Director to a new fee cap of £300,000 in aggregate per annum. As a result, the Remuneration Policy below has been updated to reflect this and an ordinary resolution will be put to shareholders for approval of the revised Remuneration Policy at the AGM on 23 November 2022. No other changes have been made.

An ordinary resolution to approve the Directors' Remuneration Report will also be put to shareholders at the AGM on 23 November 2022.

## The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Directors to £300,000 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 would 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.

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

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

## Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out in last year's Annual Report, was approved at the AGM on 8 December 2020 with 99.07% of votes cast in favour, 0.66% of votes cast against and 0.27% of votes withheld. The current Policy, as set out above, has been followed throughout the year ended 31 July 2022 and up to the date of this report. The next vote will be put to shareholders at the AGM on 23 November 2022, and the votes cast will be disclosed on the Company's website at: [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues).

## Voting on the Directors' Remuneration Report

At the AGM held on 3 December 2021, 98.88% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 July 2021, 0.85% of votes were cast against and 0.27% votes were withheld.

The Directors' Remuneration Report for the year ended 31 July 2022 will be put to shareholders at the AGM on 23 November 2022, and the votes cast will be disclosed on the Company's website at: [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues).

## Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year ended 31 July 2022 was £172,093 (2021: £144,000). This includes expenses incurred by Directors in attending to the affairs of the Company and which are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are shown in the table on the next page.

The fees for 2022 and the forecasted fees for 2023 are higher than 2021 due to the crossover between Directors' retirements and appointments. This is part of the Board's succession planning.

## Expenditure on 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 July 2023 is disclosed in the table on the next page.

	31 July 2022 £	31 July 2021 £
<b>Expenditure on Directors' Remuneration:</b>		
Fees and taxable expenses	<b>172,093</b>	144,000
<b>Distribution to Shareholders:</b>		
Dividend payments	<b>6,440,000</b>	6,241,000

# Directors' Remuneration Report continued

## Remuneration of Directors

	Projected Total (£)	2023	2022	2022	2022	2021	2021	2021
			Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)
Kate Bolsover	42,000	<b>37,000</b>	<b>2,443</b>	<b>39,443</b>	36,000	-	36,000	
Clare Brady	33,205	<b>26,750</b>	<b>1,256</b>	<b>28,006</b>	26,000	-	26,000	
Sally Macdonald <sup>1</sup>	29,000	<b>15,604</b>	<b>1,265</b>	<b>16,869</b>	n/a	n/a	n/a	
Timothy Scholefield <sup>2</sup>	n/a	<b>9,225</b>	-	<b>9,225</b>	26,000	-	26,000	
Grahame Stott <sup>3</sup>	11,027	<b>31,000</b>	<b>1,699</b>	<b>32,699</b>	30,000	-	30,000	
Matthew Sutherland <sup>1</sup>	29,000	<b>15,604</b>	<b>1,367</b>	<b>16,971</b>	n/a	n/a	n/a	
Michael Warren	29,000	<b>26,750</b>	<b>2,130</b>	<b>28,880</b>	26,000	-	26,000	
<b>Total</b>	<b>173,232</b>	<b>161,933</b>	<b>10,160</b>	<b>172,093</b>	144,000	-	144,000	

1 Appointed on 1 January 2022.

2 Retired on 3 December 2021.

3 Retiring on 23 November 2022.

## Five year change comparison in Directors' Remuneration

The table below sets out the change in Directors' fees over the last five years.

	2022	2017	Change (%)
Chairman	<b>37,000</b>	30,000	<b>+23.3%</b>
Senior Independent Director	<b>26,750</b>	22,750	<b>+17.6%</b>
Audit Committee Chair	<b>31,000</b>	25,000	<b>+24.0%</b>
Director	<b>26,750</b>	22,750	<b>+17.6%</b>

## Performance

The Company's objective is to achieve capital growth principally from the stockmarkets of the Asian Region excluding Japan. The graph below shows performance over ten years to 31 July 2022 against its Benchmark Index – which is used for the purposes of calculating the Variable Management Fee.

### Total return performance for ten years to 31 July 2022



Prices rebased to 100.

Sources: Fidelity and Datastream.

### Directors' Interest in the Company's Ordinary Shares

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

#### Directors' Shareholdings (Audited)

	31 July 2022	31 July 2021	Change during year
<b>Ordinary Shares</b>			
Kate Bolsover	<b>15,452</b>	15,452	-
Clare Brady	<b>2,500</b>	2,500	-
Sally Macdonald <sup>1</sup>	<b>2,111</b>	n/a	-
Timothy Scholefield <sup>2</sup>	<b>n/a</b>	12,000	-
Grahame Stott <sup>3</sup>	<b>30,000</b>	25,000	5,000
Matthew Sutherland <sup>4</sup>	<b>27,859</b>	n/a	-
Michael Warren	<b>10,000</b>	10,000	-

1 Appointed on 1 January 2022. 2,111 shares held at appointment date. A further 623 shares purchased post year end.

2 Retired on 3 December 2021.

3 Purchase of shares.

4 Appointed on 1 January 2022. Shares held at appointment date.

On Behalf of the Board



**Kate Bolsover**

Chairman

11 October 2022

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards, including FRS 102, 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the Company and the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors have delegated to the Manager 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/asianvalues](http://www.fidelity.co.uk/asianvalues). Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Annual Report, including the Strategic 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; and
- 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.

The Statement of Directors' Responsibilities was approved by the Board on 11 October 2022 and signed on its behalf by:



**Kate Bolsover**  
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 external audit process and how this has been assessed for the year ended 31 July 2022.

## Composition

The members of the Committee are myself as Chairman, Clare Brady, Sally Macdonald, Matthew Sutherland and Michael Warren. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

## Role and Responsibilities

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

These duties include:

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

## Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 July 2022.

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

- The Auditor's arrangements for managing 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 regulators 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 July 2022; 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. 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 current Audit Partner, Ashley Coups, 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 which restrict the Company's choice of auditor.

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 59. The audit fee for the reporting year was £44,750 (2021: £28,000).

\* The Committee, on behalf of the Board, has reviewed the work undertaken by the Manager's internal audit team and has sufficient reassurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets.

# Report of the Audit Committee continued

## Annual Report And Financial Statements

During its review of the Company's Financial Statements for the year ended 31 July 2022, the Committee, deliberated and considered the following significant issues, including consideration of principal and emerging risks and uncertainties and the ongoing impact of the pandemic and the war in Ukraine, in light of the Company's activities, and issues communicated by the Auditor during its reporting.

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

<b>Recognition of Investment Income</b>	<p>Investment income is recognised in accordance with Accounting Policy Note 2 (e) on page 55. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for 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 reports provided by the Auditor on its work on the recognition of investment income.</p>
<b>Valuation, existence and ownership of investments (including derivatives and unlisted investments)</b>	<p>The valuation of investments (including derivatives and unlisted investments) is in accordance with Accounting Policy Notes 2 (k) and 2 (l) on pages 56 and 57. The Committee took comfort from the Depositary's regular oversight function that investment related activities are 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 controls around the valuation, existence and ownership of investments operate effectively. The valuation of the Company's unlisted investments is proposed by the Manager's Fair Value Committee ("FVC") and reviewed by the Audit Committee. It receives reporting from the FVC and reviews and challenges the proposed valuation methodologies for all unlisted investments. The FVC's proposals include recommendations from Kroll (formerly known as Duff &amp; Phelps), an external company that provides global financial information and services, and also detailed input from Fidelity analysts covering the unlisted companies. In addition, the Auditor reviewed the valuations of the unlisted investments in the Company's portfolio and reported its findings at the October 2022 Audit Committee meeting.</p>
<b>Management fee calculation</b>	<p>The Company has a variable management fee arrangement in place. At each Committee meeting, the Manager reports on the accruals for the variable part of the fee that have been included in the Company's NAV and confirms that it has been calculated in accordance with the Management Agreement. These variable management fee accruals are reviewed by the Committee. It also receives reporting on the work carried out by the Auditor that the Company's variable management fee has been calculated in accordance with the terms of the Management Agreement.</p>

**As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31 July 2022, 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. The Committee has reported these findings to the Board and recommended that they be approved. The Board's conclusion in this respect is set out in the Statement of Directors' Responsibilities on page 42.**

**Grahame Stott**

Chairman of the Audit Committee

11 October 2022

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

## Opinion

We have audited the Financial Statements of Fidelity Asian Values PLC (the Company) for the year ended 31 July 2022 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 19, 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 July 2022 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.

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.

## 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:

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement.</li> <li>Risk of incorrect valuation or ownership of the investment portfolio.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall materiality of £3.68m which represents 1% of the net asset value of the Company as at 31 July 2022.</li> </ul>

- 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 the going concern, including the revenue forecast, for the period to 31 October 2023 which is at least 12 months from the date the Financial Statements were authorised for issue. 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 and the Russia/Ukraine conflict, as applied to the revenue forecast. Considering the appropriateness of the methods used to calculate the forecast and determine, 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, including a review of the Company's assessment of the liquidity of investments held and evaluating the Company's ability to sell investments in order 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 31 October 2023 which is at least twelve months from the date the Financial Statements were authorised for issue.

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.

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

## 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.

### **Climate change**

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 28 in the principal and emerging risks section, which forms part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2(a) and the conclusion that there was no further impact of climate change to be taken into account. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

### **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><b>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement</b></p> <p><i>Refer to the Report of the Audit Committee (page 44); Accounting Policies (page 55); and Note 3 of the Financial Statements (page 58)</i></p> <p>The Company has reported revenue of £15.26m (2021: £10.84m).</p> <p>During the year, the Company received special dividends amounting to £0.48m (2021: £4.64m), of which £0.38m (2021: £0.54m) was classified as revenue and £0.10m (2021: £4.10m) was classified as capital.</p>	<p><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends by performing our walkthrough procedures to evaluate the design and implementation of controls;</p> <p>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;</p>	<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>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<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 receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>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;</p> <p>For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 July 2022. 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</p> <p>For each of the special dividends above our testing threshold, we recalculated the amount received and assessed the appropriateness of classification as revenue or capital by reviewing the rationale for the underlying distribution.</p>	
<p><b>Risk of incorrect valuation or ownership of the investment portfolio</b></p> <p><i>Refer to the Report of the Audit Committee (page 44); Accounting Policies (pages 56 and 57); and Notes 10 and 11 of the Financial Statements (pages 62 and 63)</i></p> <p>The valuation of the investment portfolio as at the year-end was £338.51m (2021: £349.33m), which comprise of £337.25m (2021: £348.78m) of listed investments, £1.59m (2021: £1.45m) of unlisted investments and £(0.33)m (2021: £(0.90)m) 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><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing our walkthrough procedures;</p> <p>For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor. 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 recalculated the investment and derivative valuations as at the year-end;</p> <p>We inspected the stale pricing report to identify prices that have not changed and verified whether the quoted price is a valid fair value;</p> <p>For the unlisted investments, we obtained and assessed the valuation papers to support the valuation of the investments as at the year-end; and</p> <p>We compared the Company's investment holdings at 31 July 2022 to independent confirmation received directly from the Company's Custodian and Depositary. We agreed all year-end open derivative positions to confirmations received independently from the Company's brokers.</p>	<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>

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

## 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 £3.68m (2021: £3.64m), which is 1% (2021: 1%) of the Company's net asset value. We believe that net assets provide 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% (2021: 75%) of our planning materiality, namely £2.76m (2021: £2.73m). 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 investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £0.57m (2021: £0.38m) being 5% (2021: 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 £0.18m (2021: £0.18m), 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 this gives rise to 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 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 29;
- 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 page 29;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 29;
- Directors' statement on fair, balanced and understandable set out on page 42;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and
- The section describing the work of the Audit Committee set out on page 43.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, 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 the FRS 102, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies' Statement of Recommended Practice, the Listing Rules, the Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and the Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and 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 revenue recognition through incorrect classification of special dividends as revenue or capital items 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 of the Company.

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

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

## **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 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 31 July 2016 to 31 July 2022.
- 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.

## **Ashley Coups**

Senior Statutory Auditor  
For and on Behalf of Ernst & Young LLP, Statutory Auditor  
London  
11 October 2022

# Income Statement

for the year ended 31 July 2022

	Notes	Year ended 31 July 2022			Year ended 31 July 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	<b>2,708</b>	<b>2,708</b>	–	94,254	94,254
(Losses)/gains on derivative instruments	11	–	(1,815)	(1,815)	–	6,975	6,975
Income	3	<b>15,256</b>	–	<b>15,256</b>	10,842	–	10,842
Investment management fees	4	(2,564)	732	(1,832)	(2,272)	649	(1,623)
Other expenses	5	(905)	–	(905)	(768)	(3)	(771)
Foreign exchange gains/(losses)		–	<b>2,609</b>	<b>2,609</b>	–	(1,671)	(1,671)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>11,787</b>	<b>4,234</b>	<b>16,021</b>	7,802	100,204	108,006
Finance costs	6	(331)	–	(331)	(287)	–	(287)
<b>Net return on ordinary activities before taxation</b>		<b>11,456</b>	<b>4,234</b>	<b>15,690</b>	7,515	100,204	107,719
Taxation on return on ordinary activities	7	(1,079)	(1,085)	(2,164)	(774)	(3,380)	(4,154)
<b>Net return on ordinary activities after taxation for the year</b>		<b>10,377</b>	<b>3,149</b>	<b>13,526</b>	6,741	96,824	103,565
<b>Return per ordinary share</b>	8	<b>14.21p</b>	<b>4.31p</b>	<b>18.52p</b>	9.20p	132.09p	141.29p

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

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

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

# Statement of Changes in Equity

for the year ended 31 July 2022

Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non-distributable reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
<b>Total shareholders' funds at 31 July 2021</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>719</b>	<b>273,107</b>	<b>10,278</b>	<b>364,064</b>
Net return on ordinary activities after taxation for the year	-	-	-	-	-	3,149	10,377	13,526
Repurchase of ordinary shares	14	-	-	-	(719)	(2,808)	-	(3,527)
Dividend paid to shareholders	9	-	-	-	-	-	(6,440)	(6,440)
<b>Total shareholders' funds at 31 July 2022</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>-</b>	<b>273,448</b>	<b>14,215</b>	<b>367,623</b>
<b>Total shareholders' funds at 31 July 2020</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>3,379</b>	<b>176,283</b>	<b>9,778</b>	<b>269,400</b>
Net return on ordinary activities after taxation for the year	-	-	-	-	-	96,824	6,741	103,565
Repurchase of ordinary shares	14	-	-	-	-	(2,660)	-	(2,660)
Dividend paid to shareholders	9	-	-	-	-	-	(6,241)	(6,241)
<b>Total shareholders' funds at 31 July 2021</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>719</b>	<b>273,107</b>	<b>10,278</b>	<b>364,064</b>

# Balance Sheet

as at 31 July 2022

Company number 3183919

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investments	10	<b>338,845</b>	350,225
<b>Current assets</b>			
Derivative instruments	11	<b>972</b>	437
Debtors	12	<b>4,568</b>	3,489
Amounts held at futures clearing houses and brokers		<b>2,997</b>	2,825
Cash at bank		<b>25,368</b>	14,128
		<b>33,905</b>	20,879
<b>Current liabilities</b>			
Derivative instruments	11	<b>(1,302)</b>	(1,335)
Other creditors	13	<b>(3,825)</b>	(5,705)
		<b>(5,127)</b>	(7,040)
<b>Net current assets</b>		<b>28,778</b>	13,839
<b>Net assets</b>		<b>367,623</b>	364,064
<b>Capital and reserves</b>			
Share capital	14	<b>18,895</b>	18,895
Share premium account	15	<b>50,501</b>	50,501
Capital redemption reserve	15	<b>3,197</b>	3,197
Other non-distributable reserve	15	<b>7,367</b>	7,367
Other reserve	15	<b>-</b>	719
Capital reserve	15	<b>273,448</b>	273,107
Revenue reserve	15	<b>14,215</b>	10,278
<b>Total shareholders' funds</b>		<b>367,623</b>	364,064
<b>Net asset value per ordinary share</b>	16	<b>507.78p</b>	497.50p

The Financial Statements on pages 51 to 75 were approved by the Board of Directors on 11 October 2022 and were signed on its behalf by:



**Kate Bolsover**

Chairman

The Notes on pages 54 to 75 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1 Principal Activity

Fidelity Asian Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 3183919, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

## 2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in July 2022. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

**a) Basis of accounting** – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 31 October 2023 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.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as a principal and an emerging risk as set out on page 25 and on page 28, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Strategic Report on page 29 takes account of all events and conditions up to 31 October 2023 which is at least twelve months from the date of approval of these Financial Statements.

**b) Significant accounting estimates and judgements** – The preparation of the Financial Statements requires the use of estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates.

The key sources of estimation and uncertainty relate to the fair value of the unlisted investments.

### Judgements

The Directors consider whether each fair value is appropriate following detailed review and challenge of the pricing methodology. The judgement applied in the selection of the methodology used (see Note 2 (k) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

### Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Manager's Fair Value Committee ("FVC"), with support from the external valuer, for detailed review and appropriate challenge by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. When no recent primary or secondary transaction in the company's shares have taken place, the fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The estimates involved in the valuation process may include the following:

- (i) the selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- (ii) the selection of a revenue metric (either historical or forecast);
- (iii) the selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

## 2 Accounting Policies continued

- (iv) the estimation of the likelihood of a future exit of the position through an initial public offering ("IPO") or a company sale;
- (v) the selection of an appropriate industry benchmark index to assist with the valuation; and
- (vi) the calculation of valuation adjustments derived from milestone analysis and future cash flows (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).

As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in Note 17 below to illustrate the effect on the Financial Statements of an over or under estimation of fair value.

The risk of an over or under estimation of fair value is greater when methodologies are applied using more subjective inputs.

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

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

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

Derivative instrument income received from dividends on long contracts for difference ("CFDs") are accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

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

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

- The base investment management fee is allocated in full to revenue;
- The variable investment management fee, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Benchmark Index; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

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

**h) Finance costs** – Finance costs comprise interest on bank overdrafts and collateral and finance costs paid on CFDs, which are accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are charged in full to the revenue column of the Income Statement.

# Notes to the Financial Statements continued

## 2 Accounting Policies continued

### i) Taxation

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

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

### j) Dividend paid

Dividends payable to equity shareholders are recognised when the Company's obligation to make payment is established.

### k) Investments

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Unlisted investments are not quoted, or are not frequently traded, and are stated at the 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. These are based on the principles outlined in Note 2 (b) above.

The unlisted investments are valued at fair value following a detailed review and appropriate challenge by the Directors of the pricing methodology proposed by the FVC.

The FVC provide a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase. Consideration is also given to the input received from the Fidelity International analyst that covers the company and valuation reports from a third party specialist.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments in the capital column of the Income Statement and has disclosed these costs in Note 10 below.

### l) Derivative instruments

When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs, futures, options and forward currency contracts. Derivatives are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long and short CFDs - the difference between the strike price and the value of the underlying shares in the contract;
- Futures - the difference between the contract price and the quoted trade price;
- Forward currency contracts - valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date; and
- Options - the quoted trade price for the contract.

## 2 Accounting Policies continued

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included in gains on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

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

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

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

**p) Capital reserve** – The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Variable investment management fees;
- Dividends receivable which are capital in nature;
- Other expenses which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

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 were considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £188,000 (2021: losses of £57,000). See Note 17 on pages 73 and 74 for further details on the level 3 investments.

# Notes to the Financial Statements continued

## 3 Income

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
<b>Investment income</b>		
Overseas dividends	<b>13,905</b>	9,457
Overseas scrip dividends	<b>114</b>	654
	<b>14,019</b>	10,111
<b>Derivative income</b>		
Dividends received on long CFDs	<b>1,200</b>	720
Interest received on CFDs	<b>20</b>	9
	<b>1,220</b>	729
<b>Other interest</b>		
Interest received on collateral and bank deposits	<b>17</b>	2
<b>Total income</b>	<b>15,256</b>	10,842

A special dividend of £97,000 has been recognised in capital during the year (2021: £4,103,000).

## 4 Investment Management Fees

	Year ended 31 July 2022			Year ended 31 July 2021		
	Revenue £'000	Capital <sup>1</sup> £'000	Total £'000	Revenue £'000	Capital <sup>1</sup> £'000	Total £'000
Investment management fees	<b>2,564</b>	<b>(732)</b>	<b>1,832</b>	2,272	(649)	1,623

<sup>1</sup> For the calculation of the variable management fee element, the Company's NAV return was compared to the Benchmark Index return on a daily basis. The period used to assess the performance was from 1 August 2018 until a three year history was established. From 1 August 2021 the performance period is on a rolling three year basis. This has resulted in an underperformance of the NAV and a credit to the Company in the current and prior period.

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

The Company charges base investment management fees to revenue at an annual rate of 0.70% of net assets. In addition, there is +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index which is charged to capital. Fees are payable monthly in arrears and are calculated on a daily basis.

## 5 Other Expenses

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
<b>Allocated to revenue:</b>		
AIC fees	<b>20</b>	16
Custody fees	<b>148</b>	128
Depositary fees	<b>31</b>	29
Directors' expenses	<b>23</b>	13
Directors' fees*	<b>162</b>	144
Legal and professional fees	<b>109</b>	99
Marketing expenses	<b>157</b>	124
Printing and publication expenses	<b>79</b>	66
Registrars' fees	<b>37</b>	31
Secretarial and administration fees payable to the Investment Manager	<b>75</b>	75
Sundry other expenses	<b>19</b>	15
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	<b>45</b>	28
	<b>905</b>	768
<b>Allocated to capital:</b>		
Legal and professional fees	<b>-</b>	3
<b>Other expenses</b>	<b>905</b>	771

\* Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 40.

## 6 Finance Costs

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
Interest on bank overdrafts and collateral	<b>5</b>	3
Interest paid on CFDs	<b>255</b>	225
Dividends paid on short CFDs	<b>71</b>	59
	<b>331</b>	287

# Notes to the Financial Statements continued

## 7 Taxation on Return on Ordinary Activities

	Year ended 31 July 2022			Year ended 31 July 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>a) Analysis of the taxation charge for the year</b>						
Overseas taxation	1,079	–	1,079	774	–	774
Indian capital gains tax	–	1,085	1,085	–	3,380	3,380
<b>Taxation charge for the year (see Note 7b)</b>	<b>1,079</b>	<b>1,085</b>	<b>2,164</b>	774	3,380	4,154

### 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% (2021: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	11,456	4,234	15,690	7,515	100,204	107,719
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	2,177	804	2,981	1,428	19,039	20,467
Effects of:						
Capital gains not taxable*	–	(665)	(665)	–	(18,916)	(18,916)
Income not taxable	(2,617)	–	(2,617)	(1,866)	–	(1,866)
Excess management expenses	441	–	441	438	–	438
Excess interest paid	–	(139)	(139)	–	(123)	(123)
Expense relief for overseas taxation	(1)	–	(1)	–	–	–
Overseas taxation	1,079	–	1,079	774	–	774
Indian capital gains tax	–	1,085	1,085	–	3,380	3,380
<b>Taxation charge for the year (Note 7a)</b>	<b>1,079</b>	<b>1,085</b>	<b>2,164</b>	774	3,380	4,154

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

### c) Deferred taxation

A deferred tax asset of £7,858,000 (2021: £7,460,000), in respect of excess management expenses of £29,162,000 (2021: £26,837,000) and excess interest paid of £2,271,000 (2021: £3,003,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Although 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, the Chancellor of the Exchequer subsequently announced on 23 September 2022 that the corporation tax rate will remain at 19% from 1 April 2023. This reversal in the tax rate increase has not been substantively enacted and accordingly has no impact on the tax balances at 31 July 2022. The potential impact of this change on the unrecognised deferred tax asset at 31 July 2022 would be £1,886,000.

## 8 Return per Ordinary Share

	Year ended 31.07.22	Year ended 31.07.21
Revenue return per ordinary share	<b>14.21p</b>	9.20p
Capital return per ordinary share	<b>4.31p</b>	132.09p
Total return per ordinary share	<b>18.52p</b>	141.29p

The return per ordinary share is based on the net return on ordinary activities after taxation for the year divided by the weighted average number of ordinary shares in issue during the year, as shown below:

	£'000	£'000
Net revenue return on ordinary activities after taxation	<b>10,377</b>	6,741
Net capital return on ordinary activities after taxation	<b>3,149</b>	96,824
Net total return on ordinary activities after taxation	<b>13,526</b>	103,565

	Number	Number
Weighted average number of ordinary shares held outside Treasury	<b>73,039,011</b>	73,297,971

## 9 Dividends Paid to Shareholders

	Year ended 31.07.22	Year ended 31.07.21
	£'000	£'000
<b>Dividend paid</b>		
Dividend of 8.80 pence per ordinary share paid for the year ended 31 July 2021	<b>6,440</b>	-
Dividend of 8.50 pence per ordinary share paid for the year ended 31 July 2020	-	6,241
	<b>6,440</b>	6,241
<b>Dividend proposed</b>		
Dividend proposed of 14.00 pence per ordinary share for the year ended 31 July 2022	<b>10,086</b>	-
Dividend proposed of 8.80 pence per ordinary share for the year ended 31 July 2021	-	6,440
	<b>10,086</b>	6,440

The Directors have proposed the payment of a dividend for the year ended 31 July 2022 of 14.00 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 23 November 2022 and has not been included as a liability in these Financial Statements. The dividend will be paid on 7 December 2022 to shareholders on the register at the close of business on 28 October 2022 (ex-dividend date 27 October 2022).

# Notes to the Financial Statements continued

## 10 Investments at Fair Value through Profit or Loss

	2022 £'000	2021 £'000
Listed investments	<b>337,254</b>	348,779
Unlisted investments	<b>1,591</b>	1,446
<b>Investments at fair value</b>	<b>338,845</b>	350,225
Opening book cost	<b>321,813</b>	266,633
Opening investment holding gains/(losses)	<b>28,412</b>	(25,362)
<b>Opening fair value</b>	<b>350,225</b>	241,271
<b>Movements in the year</b>		
Purchases at cost	<b>165,463</b>	201,449
Sales - proceeds	<b>(179,551)</b>	(186,749)
Gains on investments	<b>2,708</b>	94,254
<b>Closing fair value</b>	<b>338,845</b>	350,225
Closing book cost	<b>336,727</b>	321,813
Closing investment holding gains	<b>2,118</b>	28,412
<b>Closing fair value</b>	<b>338,845</b>	350,225

The Company received £179,551,000 (2021: £186,749,000) from investments sold in the year. The book cost of these investments when they were purchased was £150,549,000 (2021: £146,269,000). 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 on the investments above, were as follows:

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
Purchases transaction costs	<b>245</b>	265
Sales transaction costs	<b>390</b>	377
	<b>635</b>	642

The portfolio turnover rate of the year was 49.6% (2021: 66.1%).

## 11 Derivative Instruments

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
<b>(Losses)/gains on derivative instruments</b>		
Realised (losses)/gains on long CFD positions closed	(3,796)	13,998
Realised gains/(losses) on short CFD positions closed	2,584	(910)
Realised (losses)/gains on futures contracts closed	(1,222)	970
Realised gains on options contracts closed	193	-
Realised gains/(losses) on forward currency contracts	126	(35)
Movement in investment holding gains/(losses) on long CFDs	464	(6,357)
Movement in investment holding (losses)/gains on short CFDs	(451)	71
Movement in investment holding gains/(losses) on futures	184	(779)
Movement in investment holding gains on options	49	-
Movement in investment holding gains on forward currency contracts	54	17
	(1,815)	6,975

	2022 Fair value £'000	2021 Fair value £'000
<b>Derivative instruments recognised on the Balance Sheet</b>		
Derivative instrument assets	972	437
Derivative instrument liabilities	(1,302)	(1,335)
	(330)	(898)

	2022 Fair value £'000	2022 Asset exposure £'000	2021 Fair value £'000	2021 Asset exposure £'000
<b>At the year end the Company held the following derivative instruments:</b>				
Long CFDs	(218)	29,861	(682)	13,024
Long future	(88)	3,997	(336)	4,384
Short CFDs	(275)	7,277	176	5,942
Short futures	(20)	682	44	1,589
Call option	317	3,034	-	-
Forward currency contracts	(46)	-	(100)	-
	(330)	44,851	(898)	24,939

# Notes to the Financial Statements continued

## 12 Debtors

	2022 £'000	2021 £'000
Securities sold for future settlement	1,848	1,384
Accrued income	1,991	1,595
Taxation recoverable	640	425
Other debtors and prepayments	89	85
	<b>4,568</b>	3,489

## 13 Other Creditors

	2022 £'000	2021 £'000
Securities purchased for future settlement	948	2,402
Amount payable on share repurchases	276	-
Indian capital gains tax payable	2,170	2,902
Creditors and accruals	431	401
	<b>3,825</b>	5,705

## 14 Share Capital

	2022 Number of shares	2021 Number of shares	
	£'000	£'000	
<b>Issued, allotted and fully paid</b>			
<b>Ordinary shares of 25 pence each held outside Treasury</b>			
<b>Beginning of the year</b>	<b>73,178,879</b>	<b>18,295</b>	73,932,107
Ordinary shares repurchased into Treasury	(780,543)	(195)	(753,228)
<b>End of the year</b>	<b>72,398,336</b>	<b>18,100</b>	73,178,879
<b>Ordinary shares of 25 pence each held in Treasury<sup>1</sup></b>			
<b>Beginning of the year</b>	<b>2,402,010</b>	<b>600</b>	1,648,782
Ordinary shares repurchased into Treasury	780,543	195	753,228
<b>End of the year</b>	<b>3,182,553</b>	<b>795</b>	2,402,010
<b>Total share capital</b>		<b>18,895</b>	18,895

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

The cost of ordinary shares repurchased into Treasury during the year was £3,527,000 (2021: £2,660,000).

## 15 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non-distributable reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
<b>At 1 August 2021</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>719</b>	<b>273,107</b>	<b>10,278</b>	<b>364,064</b>
Gains on investments (see Note 10)	-	-	-	-	-	2,708	-	2,708
Losses on derivative instruments (see Note 11)	-	-	-	-	-	(1,815)	-	(1,815)
Foreign exchange gains	-	-	-	-	-	2,609	-	2,609
Investment management fees (see Note 4)	-	-	-	-	-	732	-	732
Indian capital gains tax (see Note 7)	-	-	-	-	-	(1,085)	-	(1,085)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	-	10,377	10,377
Dividend paid to shareholders (see Note 9)	-	-	-	-	-	-	(6,440)	(6,440)
Repurchase of ordinary shares (see Note 14)	-	-	-	-	(719)	(2,808)	-	(3,527)
<b>At 31 July 2022</b>	<b>18,895</b>	<b>50,501</b>	<b>3,197</b>	<b>7,367</b>	<b>-</b>	<b>273,448</b>	<b>14,215</b>	<b>367,623</b>

The capital reserve balance at 31 July 2022 includes investment holding gains of £2,118,000 (2021: gains of £28,412,000) as detailed in Note 10 above. See Note 2 (p) above for further details. The revenue and capital reserves are distributable by way of dividend.

## 16 Net Asset Value per Ordinary Share

	2022	2021
Total shareholders' funds	£367,623,000	£364,064,000
Ordinary shares held outside of Treasury at year end	72,398,336	73,178,879
Net asset value per ordinary share	507.78p	497.50p

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.

# Notes to the Financial Statements continued

## 17 Financial Instruments

### Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are economic, political and market, discount management, cybercrime and information security, investment performance (including the use of derivatives and gearing), shareholder relationship, key person, environmental, social and governance ("ESG") and business continuity and operational risks, including third party service providers risks. Other risks identified are tax and regulatory 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 25 to 29.

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

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

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

### Market price risk

#### Interest rate risk

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

#### Interest rate risk exposure

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

	2022 £'000	2021 £'000
<b>Exposure to financial instruments that earn interest</b>		
Cash at bank	<b>25,368</b>	14,128
Short CFDs – exposure plus fair value	<b>7,002</b>	6,118
Amounts held at futures clearing houses and brokers	<b>2,997</b>	2,825
	<b>35,367</b>	23,071
<b>Exposure to financial instruments that bear interest</b>		
Long CFDs – exposure less fair value	<b>30,079</b>	13,706
<b>Net exposure to financial instruments that earn interest</b>	<b>5,288</b>	9,365

## 17 Financial Instruments continued

### Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK Sterling. The Portfolio Manager may seek to manage exposure to currency movements by using forward and spot foreign exchange contracts. The Company can also be subject to short-term exposure to exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

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

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

### Currency exposure of financial assets

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

Currency	2022				
	Investments at fair value £'000	Long exposure to derivative instruments <sup>1</sup> £'000	Debtors <sup>2</sup> £'000	Cash at bank £'000	Total £'000
Hong Kong dollar	90,764	25,443	1,318	287	117,812
Indian rupee	87,206	–	3,783	620	91,609
US dollar	12,367	9,783	1,063	23,801	47,014
Indonesian rupiah	41,649	–	4	–	41,653
South Korean won	31,895	–	68	6	31,969
Taiwan dollar	19,940	–	1,059	64	21,063
Australian dollar	19,035	–	–	–	19,035
Chinese renminbi	13,063	–	–	97	13,160
Singapore dollar	11,149	1,666	–	–	12,815
Philippine peso	4,810	(46)	33	–	4,797
Sri Lankan rupee	3,109	–	148	–	3,257
Vietnamese dong	1,173	–	–	493	1,666
Other overseas currencies	2,685	–	–	–	2,685
UK Sterling	–	–	89	–	89
	<b>338,845</b>	<b>36,846</b>	<b>7,565</b>	<b>25,368</b>	<b>408,624</b>

1 The exposure to the market of long CFDs, long futures and call option after the netting of the forward currency contract.

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

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

Currency	Investments at fair value £'000	Long exposure to derivative instruments <sup>1</sup> £'000	Debtors <sup>2</sup> £'000	Cash at bank £'000	2021
					Total £'000
Hong Kong dollar	93,093	10,693	1,104	137	105,027
Indian rupee	80,078	-	2,524	1,979	84,581
Taiwan dollar	37,202	-	865	28	38,095
South Korean won	35,849	-	2	6	35,857
Indonesian rupiah	25,135	-	-	-	25,135
US dollar	7,576	5,113	1,140	11,028	24,857
Australian dollar	21,055	-	-	24	21,079
Chinese renminbi	14,606	-	-	261	14,867
Singapore dollar	8,562	1,602	-	-	10,164
Philippine peso	7,330	(87)	480	-	7,723
Sri Lankan rupee	6,157	-	-	-	6,157
Vietnamese dong	4,364	-	115	665	5,144
Other overseas currencies	7,651	(13)	-	-	7,638
UK Sterling	1,567	-	84	-	1,651
	350,225	17,308	6,314	14,128	387,975

1 The exposure to the market of long CFDs and long futures after the netting of the forward currency contract.

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

### Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. The Company's financial liabilities comprise short positions on derivative instruments and other payables. The currency profile of these financial liabilities is shown below:

Currency	Short exposure to derivative instruments <sup>1</sup> £'000	Other creditors £'000	2022
			Total £'000
US dollar	5,091	7	5,098
Indian rupee	682	2,744	3,426
Hong Kong dollar	2,186	311	2,497
Philippine peso	-	27	27
Malaysian ringgit	-	25	25
Taiwan dollar	-	18	18
UK Sterling	-	693	693
	7,959	3,825	11,784

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

## 17 Financial Instruments continued

Currency	Short exposure to derivative instruments <sup>1</sup> £'000	Other creditors £'000	Total £'000	2021
Hong Kong dollar	4,025	2,166	6,191	
Indian rupee	1,589	2,987	4,576	
US dollar	1,917	-	1,917	
Australian dollar	-	98	98	
Indonesian rupiah	-	53	53	
Taiwan dollar	-	9	9	
UK Sterling	-	392	392	
	7,531	5,705	13,236	

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

### Other price risk

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

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

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

### Liquidity risk exposure

At 31 July 2022, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £1,302,000 (2021: £1,335,000) and other creditors of £3,825,000 (2021: £5,705,000).

### Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. These are known as Over the Counter ("OTC") trades. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, the Manager will seek to minimise such risk by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

# Notes to the Financial Statements continued

## **17 Financial Instruments** continued

For OTC and exchange traded derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 July 2022, £254,000 (2021: £129,000) was held by the brokers in cash denominated in US dollars 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 £213,000 (2021: £129,000) and Morgan Stanley & Co International plc £41,000 (2021: £nil). £2,997,000 (2021: £2,825,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. This collateral is comprised of: UBS AG £2,574,000 (2021: £2,559,000) in cash and HSBC Bank Plc £423,000 (2021: £266,000) in cash.

### **Credit risk**

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

### **Derivative instruments risk**

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented Risk Management Process Document. Derivative instruments are used by the Manager for the following purposes:

- to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- to hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market; and
- to position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

## **RISK SENSITIVITY ANALYSIS**

### **Interest rate risk sensitivity analysis**

Based on the financial instruments held and interest rates at 31 July 2022, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the net return on ordinary activities after taxation for the year and increased the net assets of the Company by £13,000 (2021: increased the net return and increased the net assets by £23,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

## 17 Financial Instruments continued

### Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates as at the Balance Sheet date, a 10% strengthening of the UK Sterling exchange rate against other currencies would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the net assets (2021: decreased the net return and decreased the net assets) by the following amounts:

Currency	2022 £'000	2021 £'000
Hong Kong dollar	10,483	8,986
Indian rupee	8,017	7,273
Indonesian rupiah	3,787	2,280
US dollar	3,811	2,085
South Korean won	2,906	3,260
Taiwan dollar	1,913	3,462
Australian dollar	1,730	1,907
Chinese renminbi	1,196	1,352
Singapore dollar	1,165	924
Philippine peso	434	702
Sri Lankan rupee	296	560
Vietnamese dong	151	468
Other overseas currencies	241	693
	36,130	33,952

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

Based on the financial instruments held and currency exchange rates as at the Balance Sheet date, a 10% weakening of the UK Sterling exchange rate against other currencies would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets (2021: increased the net return and increased the net assets) by the following amounts:

Currency	2022 £'000	2021 £'000
Hong Kong dollar	12,813	10,982
Indian rupee	9,798	8,889
Indonesian rupiah	4,628	2,787
US dollar	4,657	2,549
South Korean won	3,552	3,984
Taiwan dollar	2,338	4,232
Australian dollar	2,115	2,331
Chinese renminbi	1,462	1,652
Singapore dollar	1,424	1,129
Philippine peso	530	858
Sri Lankan rupee	362	684
Vietnamese dong	185	572
Other overseas currencies	296	848
	44,160	41,497

### Other price risk – exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 July 2022, 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 £33,725,000 (2021: increased the net return and increased the net assets by £34,878,000). 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 31 July 2022 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 £159,000 (2021: increased the net return and increased the net assets by £145,000). 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 July 2022, 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 £2,893,000 (2021: increased the net return and increased the net assets by £988,000). A decrease of 10% in share prices would have had an equal and opposite effect.

### Fair Value of Financial Assets and Liabilities

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

### Fair Value Hierarchy

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

## 17 Financial Instruments continued

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

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

				2022
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	330,119	7,135	1,591	338,845
Derivative instrument assets	317	655	–	972
	<b>330,436</b>	<b>7,790</b>	<b>1,591</b>	<b>339,817</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(108)	(1,194)	–	(1,302)

				2021
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	346,634	1,869	1,722	350,225
Derivative instrument assets	44	393	–	437
	<b>346,678</b>	<b>2,262</b>	<b>1,722</b>	<b>350,662</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(336)	(999)	–	(1,335)

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

	Year ended 31.07.22 £'000	Year ended 31.07.21 £'000
<b>Beginning of the year</b>	<b>1,722</b>	339
Purchases at cost	–	1,049
Transfer into level 3 at cost – Salt Lake Potash*	–	323
Movement in investment holding (losses)/gains	(131)	11
<b>End of the year</b>	<b>1,591</b>	1,722

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

# Notes to the Financial Statements continued

## 17 Financial Instruments continued

Below are details of the four investments which fall into level 3 of which the first three investments are unlisted and the last investment is suspended from trading.

### Eden Biologics

Eden Biologics develops biosimilars and is also engaged in providing process development and contract manufacturing solutions to the biopharmaceutical industry and is an unlisted company. On 26 February 2018, the company voluntarily delisted from the Taipei Exchange. The valuation at 31 July 2022 is based on the company's financial information, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 July 2022, its fair value was £317,000 (2021: £321,000).

### Chime Biologics

Chime Biologics is a China-based Contract Development and Manufacturing Organization (CDMO) that provides a solution supporting customers from early-stage biopharmaceutical development through to late-stage clinical and commercial manufacturing and is an unlisted company. The valuation at 31 July 2022 is based on the company's financial information, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 July 2022, its fair value was £73,000 (2021: £76,000).

### Tuhu Car

Tuhu Car is an online retailer of auto spare parts and is an unlisted company. The valuation at 31 July 2022 is based on the company's financial information, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 July 2022, its fair value was £1,201,000 (2021: £1,049,000).

### Salt Lake Potash

Salt Lake Potash is a mineral exploration company. The company was suspended from trading on the Australian Stock Exchange on 27 July 2021 and in October 2021 it announced that it would be entering voluntary administration. As at 31 July 2022, its fair value was £nil (2021: £276,000).

## 18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 53 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 24. The principal risks and their management are disclosed in the Strategic Report on pages 25 to 29 and in Note 17 above.

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

	2022 Asset exposure £'000	2021 Asset exposure £'000
Long exposure to shares and equity linked notes	<b>338,845</b>	350,225
Long CFDs	<b>29,861</b>	13,024
Long future	<b>3,997</b>	4,384
Call option	<b>3,034</b>	-
<b>Total long exposures</b>	<b>375,737</b>	367,633
Short CFDs	<b>7,277</b>	5,942
Short futures	<b>682</b>	1,589
<b>Gross Asset Exposure</b>	<b>383,696</b>	375,164
<b>Total Shareholders' Funds</b>	<b>367,623</b>	364,064
<b>Gross gearing*</b>	<b>4.4%</b>	3.0%

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

## 19 Transactions with the Manager and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 33. During the year, management fees of £1,832,000 (2021: £1,623,000), and secretarial and administration fees of £75,000 (2021: £75,000) were payable to FII. At the Balance Sheet date, management fees of £156,000 (2021: £156,000), and secretarial and administration fees of £25,000 (2021: £25,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £157,000 (2021: £124,000). At the Balance Sheet date, marketing services of £20,000 (2021: £25,000) 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 40 and 41. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £18,000 (2021: £14,000) of employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £15,000 (2021: £12,000) were accrued and payable.

# Alternative Performance Measures

## Discount/Premium

The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the NAV of the Company and the share price and is expressed as a percentage of the NAV. Details of the Company's discount/premium are on the Financial Highlights page and are both defined in the Glossary of Terms on page 88 and page 90.

## Gross Gearing

Gross Gearing is considered to be an Alternative Performance Measure. See Note 18 on page 74 for details of the Company's gearing.

## Net Asset Value ("NAV") per Ordinary Share

The NAV per Ordinary Share is considered to be an Alternative Performance Measure. See the Balance Sheet on page 53 and Note 16 on page 65 for further details.

## 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 management fees and other expenses expressed as a percentage of the average net assets throughout the year.

	2022 £'000	2021 £'000
Investment management fees (£'000)	<b>2,564</b>	2,272
Other expenses (£'000)	<b>905</b>	771
<b>Ongoing charges (£'000)</b>	<b>3,469</b>	3,043
Variable management fees (£'000)	(732)	(649)
Average net assets (£'000)	<b>366,346</b>	325,111
<b>Ongoing charges ratio</b>	<b>0.95%</b>	0.93%
<b>Ongoing charges ratio including variable management fees</b>	<b>0.75%</b>	0.73%

## Revenue, Capital and Total Returns per Share

Revenue, capital and total returns per share are considered to be Alternative Performance Measures. See the Income Statement on page 51 and Note 8 on page 61 for further details.

## Total Return Performance

Total return performance 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. Ordinary share price total return includes the reinvestment of the net dividend in the month that the ordinary share price goes ex-dividend.

The tables below provide information relating to the NAV per ordinary share and the ordinary share price of the Company and the impact of the dividend reinvestments and the total returns for the years ended 31 July 2022 and 31 July 2021.

2022	Net asset value per ordinary share	Ordinary share price
31 July 2021	<b>497.50p</b>	<b>483.00p</b>
31 July 2022	<b>507.78p</b>	<b>458.00p</b>
Change in year	<b>+2.1%</b>	<b>-5.2%</b>
Impact of dividend reinvestment	<b>+1.8%</b>	<b>+1.8%</b>
<b>Total return for the year</b>	<b>+3.9%</b>	<b>-3.4%</b>

**Total Return Performance** continued

2021	Net asset value per ordinary share	Ordinary share price
31 July 2020	364.39p	335.00p
31 July 2021	497.50p	483.00p
Change in year	+36.5%	+44.2%
Impact of dividend reinvestment	+3.0%	+3.4%
Total return for the year	+39.5%	+47.6%

# Financial Calendar

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

<b>31 July 2022</b>	Financial Year End
<b>October 2022</b>	Announcement of results for the year ended 31 July 2022
<b>October 2022</b>	Publication of the Annual Report
<b>27 October 2022</b>	Ex-Dividend Date
<b>28 October 2022</b>	Dividend Record Date
<b>23 November 2022</b>	Annual General Meeting
<b>7 December 2022</b>	Payment of the Dividend
<b>31 January 2023</b>	Half-Year End
<b>April 2023</b>	Announcement of the Half-Yearly results for the six months ended 31 January 2023
<b>April 2023</b>	Publication of the Half-Yearly Report

# 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 your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

The AGM of the Company will be held at **11.00 am on Wednesday, 23 November 2022** at 4 Cannon Street, London EC4M 5AB and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Nitin Bajaj, 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 his presentation can be requested by email at [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com) or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and we will answer as many of these as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues). On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website <https://web.lumiagm.com>.

We urge shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **118-640-628**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

## **Fidelity Platform Investors - Voting at AGMs**

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). 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, for ease of voting, 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.

*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 23 November 2022, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 81 and 82, including the items of special business summarised below and on the next page.

## **Authority to Allot Shares**

Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,889,522. If passed, this resolution will enable the Directors to allot a maximum of 7,558,088 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury shares) as at 11 October 2022, 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 ordinary share or at a premium to NAV per ordinary share.

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

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,889,522 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 11 October 2022 and equivalent to 7,558,088 ordinary shares).

## **Authority to Repurchase Shares**

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (10,799,623) of the ordinary shares in issue (excluding Treasury shares) on 11 October 2022, either for immediate cancellation or for retention as Treasury

# Annual General Meeting continued

shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set 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 ordinary share.

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

By Order of the Board  
**FIL Investments International**  
Secretary  
11 October 2022

# Notice of Meeting

**Notice is hereby given that the Annual General Meeting of Fidelity Asian Values PLC will be held 4 Cannon Street, London EC4M 5AB and virtually via the online Lumi AGM meeting platform on Wednesday, 23 November 2022 at 11.00 am for the following purposes:**

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 July 2022.
2. To declare that a final dividend for the year ended 31 July 2022 of 14.00 pence per ordinary share be paid to shareholders on the register as at close of business on 28 October 2022.
3. To re-elect Kate Bolsover as a Director.
4. To re-elect Clare Brady as a Director.
5. To elect Sally Macdonald as a Director.
6. To elect Matthew Sutherland as a Director.
7. To re-elect Michael Warren as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed "The Remuneration Policy" set out on page 39) for the year ended 31 July 2022.
9. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 39).
10. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company.
11. To authorise the Directors to determine the Auditor's remuneration.

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

## **Authority to Allot Ordinary Shares and Disapply Pre-Emption Rights**

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 11 October 2022. 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.

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551

of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,889,522 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 11 October 2022) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

13. THAT, subject to the passing of Resolution 12, 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 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
  - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,889,522 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 11 October 2022); 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.

## **Authority to Repurchase Ordinary Shares**

Resolution 14 is special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% respectively of the number of ordinary shares in issue (excluding Treasury shares) on 11 October 2022 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

# Notice of Meeting continued

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.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25 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 10,799,623;
- b) the minimum price which may be paid for a share is 25 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 preceding the date 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.

By Order of the Board  
**FIL Investments International**  
 Secretary  
 11 October 2022

## 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](http://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 11.00 am on Monday, 21 November 2022. 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, 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.
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 11.00 am on Monday, 21 November 2022. 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 11.00 am on Monday, 21 November 2022.

6. Proxymity Voting – If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by no later than 11.00 am on Monday, 21 November 2022 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity'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 Monday, 21 November 2022. Shareholders are urged to vote using the proxy form provided or electronically where permitted by your nominee or platform.
8. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site: **https://web.lumiagm.com**. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will be asked to enter the **Lumi Meeting ID** which is **118-640-628**. You will then be prompted to enter your unique 11 digit Investor Code ("IVC") including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (**www.signalshares.com**) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling **+44 (0) 371 277 1020\***.

Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company's pages of the Manager's website at: **www.fidelity.co.uk/asianvalues**.

If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual

way before contacting Link Group on **+44 (0) 371 277 1020\*** in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your shares are held within a nominee / platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **118-640-628**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

- \* Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.
- 9. 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.
- 10. 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.

# Notice of Meeting continued

11. 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 Monday, 21 November 2022. 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.
12. As at 11 October 2022 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 75,580,889 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 3,535,369. Therefore, the total number of shares with voting rights in the Company was 72,045,520.
13. Any corporation which is a member can appoint one or more corporate representative 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.
14. 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.
15. 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.
16. No Director has a service contract with the Company.
17. 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/asianvalues](http://www.fidelity.co.uk/asianvalues).

# Shareholder Information

## Investing in Fidelity Asian Values PLC

Fidelity Asian 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/asianvalues](http://www.fidelity.co.uk/asianvalues).

## 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](http://www.fidelityinvestmenttrusts.com).

### Shareholders on the main share register

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

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

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

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

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

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

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

## 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](http://www.fidelity.co.uk)

**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 834798**

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

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

If you hold Fidelity Asian 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](http://www.sharegift.org.uk).

# Shareholder Information continued

## Managers and Advisors

<b>Alternative Investment Fund Manager (AIFM/the Manager)</b> FIL Investment Services (UK) Limited Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP	<b>Banker and Custodian</b> JPMorgan Chase Bank 125 London Wall London EC2Y 5AJ	<b>Independent Auditor</b> Ernst & Young LLP 25 Churchill Place London E14 5EY
<b>Investment Manager, Secretary and Registered Office</b> FIL Investments International Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP	<b>Depository</b> J.P.Morgan Europe Limited 25 Bank Street London E14 5JP	<b>Lawyer</b> Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
Email: <a href="mailto:investmenttrusts@fil.com">investmenttrusts@fil.com</a>	<b>Financial Adviser and Stockbroker</b> Jefferies International Limited 100 Bishopsgate London EC2N 4JL	<b>Registrar</b> Link Group 10th Floor, Central Square 29 Wellington Street Leeds LS1 4DL

## Company Information

The Company was launched on 13 June 1996 with one warrant attached to every five shares. The original subscription price for each share was £1 (the final subscription date for the warrants was December 2006). On 4 March 2010, the Company issued one subscription share for every five ordinary shares held with a final subscription date of May 2013. A further subscription share issue was made on 2 December 2016 on the basis of one subscription share for every five held with a final exercise date of 29 November 2019.

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

## Price Information

The share price of Fidelity Asian 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/asianvalues](http://www.fidelity.co.uk/asianvalues).

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 for other telephone networks may vary). The Reuters code for Fidelity Asian Values PLC's ordinary shares is FAS.L, the sedol is 0332231 and the ISIN is GB0003322319.

## Net Asset Value ("NAV") Information

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

## Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,300 of capital gains in the current tax year 2022/2023 (2021/2022: £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.

# Data Protection

## 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.

### Retention period

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 personal data and other important information

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

# Glossary of Terms

## AAF Report

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

## ADR (American Depository Receipt)

A negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US Exchange.

## 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;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return and 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

The Benchmark Index is used to calculate the Variable Management Fee, in accordance with the European Benchmark Directive. Since 1 February 2020, it is the MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms). Prior to that and since 1 August 2015, it was the MSCI All Countries Asia ex Japan Index (net) total return (in Sterling terms).

## Capital Gains Tax (CGT)

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

## Collateral

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

## Comparative Index

The MSCI All Countries Asia ex Japan Small Cap Index (net) total return (in Sterling terms) 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 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 collateral. 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 for a year. 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.

## Diluted Net Asset Value per Ordinary Share

The diluted net asset value per ordinary share reflects what the net asset value per ordinary share would have been if all the rights attached to any outstanding subscription shares had been exercised at a particular date. A dilution occurs when the exercise price of the subscription share rights is less than the net asset value per ordinary share.

## 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.

### Equity Linked Notes

Debt instruments whose return on investment is linked to specific equities or equity markets. The return on [equity linked notes](#) may be determined by an equity index, a basket of equities, or a single equity.

### Fair Value

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

- **Listed investments** – valued at bid prices or last market prices, where available, otherwise at published price quotations;
- **Unlisted investments** – valued using an appropriate valuation technique in the absence of an active market;
- **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 and options** – valued at the quoted trade price for the contract; and
- **Forward currency contracts** – valued at the appropriate quoted forward foreign exchange rate ruling at the Balance Sheet date.

### Fidelity International (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](#).

### Forward Currency Contract

Agreement to buy or sell a currency at a specified future date and at a pre-agreed price.

### Futures

Agreements to buy or sell a fixed amount of an asset at a fixed future date and a fixed 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](#) but excluding [forward currency contracts](#)). It is the sum total of all [Asset Exposures](#).

### Gross Gearing

[Gross Asset Exposure](#) in excess of [Shareholders' Funds](#).

### Growth Stocks

Those companies which are considered to have the potential to outperform the overall market over time because of their future potential.

### 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](#).

### Independent Valuer

[Kroll](#) (previously Duff & Phelps) who provide an objective and independent assessment of value of unlisted and hard to price assets using sophisticated valuation methodologies. It constantly monitors changing regulations and consistently provides input to Accounting Standards Boards as they develop implementation guidance and new financial reporting rules with valuation implications.

### Initial Public Offering (IPO)

An [initial public offering \("IPO"\)](#) is the first sale of stock by a private company to the public. [IPOs](#) are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded.

### Investment Manager

FIL Investments International.

### Manager

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

### Net Assets or Net Asset Value (NAV)

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 average [net asset values](#) for the reporting year.

# Glossary of Terms continued

## 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

Nitin Bajaj 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 by 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](#).

## Price to Book Ratio

The [Price to Book ratio](#) (also known as P/B ratio) is a measure of valuing a company's share price versus its book value.

## Price to Earnings Ratio

The [Price to Earnings ratio](#) (also known as P/E ratio) is a measure of valuing a company's share price versus its earnings.

## 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 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 in prior years with High Court approval. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

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

## Return on Equity

[Return on Equity](#) ("ROI") is a measure of the return on a company's stock. The higher the percentage, the more income the company is generating and adding to shareholder 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 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 in additional shares (for share price total return) or the Company's assets (for [net asset value](#) total return).

## Treasury Shares

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

## Value Stocks

Usually companies that are currently trading below what they are really worth and will thus theoretically provide a superior future return.

# 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") as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International. Details of the current 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
<b>Investment management</b>	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	Details of the Company's investment objective, its strategy and investment policy, including limits, are on pages 24 and 25.
<b>Risk management</b>	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which 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 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, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</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 25 to 29 and in Note 17 to the Financial Statements on pages 66 to 74.
<b>Valuation of illiquid assets</b>	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.	As at the date of this report, none of the Company's assets are subject to special arrangements arising from its illiquid nature.

# Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
<b>Leverage</b>	<p>The Company uses leverage to increase its exposure to the stockmarkets of the Asian Region (excluding Japan) and currently holds derivative instruments to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method and 1.50 for the Commitment Method.</p> <p>At 31 July 2022, actual leverage was 1.16 for the Gross Method and 1.12 for the Commitment Method.</p>
<b>Liquidity management</b>	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 17 on page 69.
<b>Remuneration of the AIFM</b>	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 <a href="http://www.fidelityinternational.com/global/remuneration/default.page">www.fidelityinternational.com/global/remuneration/default.page</a> .

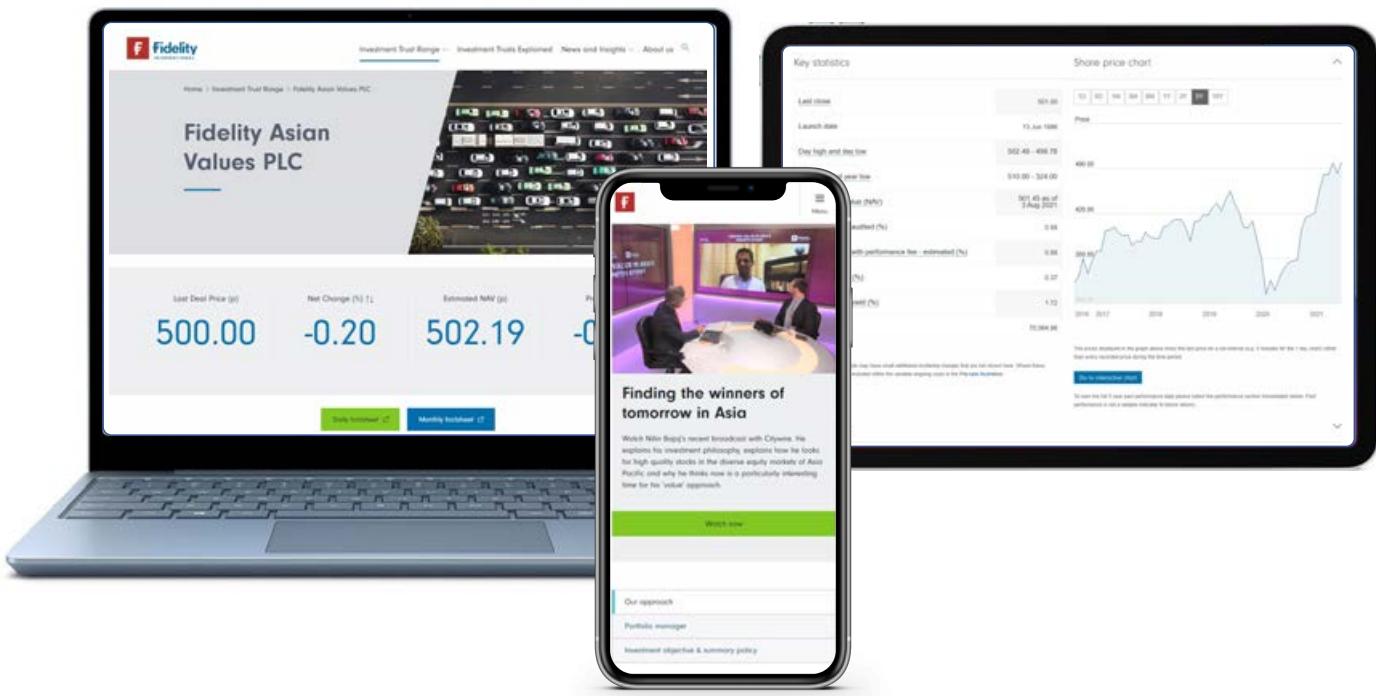
## EU Securities Financing Transactions Regulation ("SFTR")

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

As at 31 July 2022, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
Goldman Sachs International (UK)	(6)	0.00%	–	–
HSBC Bank plc (UK)	(519)	(0.14%)	–	423
J.P. Morgan Securities plc (UK)	53	0.01%	213	–
Morgan Stanley & Co International plc (UK)	(6)	0.00%	41	–
UBS AG (UK and India)	(15)	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 July 2022 from CFDs was a loss of £305,000.



To find out more about Fidelity Asian Values PLC, visit our website [www.fidelity.co.uk/asianvalues](http://www.fidelity.co.uk/asianvalues) where you can read articles and watch videos on the Company.

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



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