Stock Exchange Announcement
Statement of Annual Results
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC
(“TEMIT” or “the Company”)
Legal Entity Identifier 5493002NMTB70RZBXO96

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2018, which is included on pages 2 to 16 of the full annual report and incorporates the Chairman’s Statement which has been prepared in accordance with the Companies Act 2006.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed in their duty to promote the success of the Company for shareholders’ collective benefit, by bringing together into one place all of the information about the Company’s strategy, the risks it faces, how it is performing and the outlook.

Financial Summary

2017–2018	Notes	Year ended 31 March 2018	Year ended 31 March 2017	Capital return %	Total return %
Total net assets (£ million)		2,300.8	2,148.1		
Total net asset value (cum-income, pence per share)		846.0	762.8	9.7[a]	12.4[a]
Highest net asset value (cum-income, pence per share)		918.2	780.6		
Lowest net asset value (cum-income, pence per share)		743.6	503.3		
Share price (pence per share)		743.0	661.5	11.1[a]	13.7[a]
Highest end of day share price (pence per share)		825.0	674.0		
Lowest end of day share price (pence per share)		643.0	435.0		
MSCI Emerging Markets Index				8.9[a]	11.8[a]
Share price discount to net asset value	(a)	12.2%	13.3%		
Average share price discount to net asset value over the year		12.3%	13.3%		
Dividend (pence per share)	(b)	15.00	8.25		
Revenue earnings (pence per share)	(c)	15.90	6.59		
Capital earnings (pence per share)	(c)	73.56	235.71		
Total earnings (pence per share)	(c)	89.46	242.30		
Net gearing	(a)	3.3%	0.8%		
Ongoing charges ratio	(a)	1.12%	1.20%		

Source: Franklin Templeton Investments and FactSet.

(a) A glossary of alternative performance measures is included on page 96 of the full annual report.
(b) A dividend of 15.00 pence per share on the Company’s profits for the year ended 31 March 2018 has been proposed.
(c) The revenue, capital and total earnings per share figures are based on the earnings per share shown in the Income Statement on page 70 of the full annual report and Note 5 of the Notes to the Financial Statements.

Ten Year Record

2008–2018

Year ended	Total net assets (£m)	NAV (pence per share)	Share price (pence per share)	Year-end discount (%)	Earnings per share – undiluted (pence)	Dividend (pence per share)	Ongoing charges ratio[a] (%)
30 Apr 2008	2,291.4	484.8	438.0	9.6	4.07	3.50	1.33
30 Apr 2009[b]	1,208.3	365.7	340.5	6.9	7.69	3.75[c]	1.34
31 Mar 2010[d]	2,046.4	620.3	577.0	7.0	2.88	3.75	1.29
31 Mar 2011	2,368.4	718.0	660.0	8.1	6.14	4.25	1.31
31 Mar 2012	2,098.6	636.3	588.5	7.5	7.91	5.75	1.31
31 Mar 2013	2,302.7	702.3	640.5	8.2	8.45	6.25	1.30
31 Mar 2014	1,913.6	591.8	527.0	10.9	9.14	7.25	1.30
31 Mar 2015	2,045.0	641.2	556.0	13.3	9.28	8.25	1.20
31 Mar 2016	1,562.3	524.2	453.9	13.4	7.05	8.25	1.22
31 Mar 2017	2,148.1	762.8	661.5	13.3	6.59	8.25	1.20
31 Mar 2018	2,300.8	846.0	743.0	12.2	15.90	15.00[e]	1.12

2008–2018
(rebased to 100.0 at 30 April 2008)

Year ended	NAV	NAV total return[a]	Share price	Share price total return[a]	MSCI Emerging Markets Index total return[a]	Revenue earnings per share – undiluted	Dividend per share
30 Apr 2008	100.0	100.0	100.0	100.0	100.0	100.0	100.0
30 Apr 2009[b]	75.4	75.9	77.7	78.4	76.6	188.9	107.1
31 Mar 2010[d]	127.9	131.1	131.7	135.2	116.4	70.8	107.1
31 Mar 2011	148.1	152.5	150.7	155.7	130.9	150.9	121.4
31 Mar 2012	131.3	136.0	134.4	139.8	120.1	194.3	164.3
31 Mar 2013	144.9	151.2	146.2	153.8	129.3	207.6	178.6
31 Mar 2014	122.1	129.1	120.3	128.0	116.5	224.6	207.1
31 Mar 2015	132.3	141.5	126.9	136.8	131.9	228.0	235.7
31 Mar 2016	108.1	117.4	103.6	113.5	120.2	173.2	235.7
31 Mar 2017	157.3	173.4	151.0	168.4	162.6	161.9	235.7
31 Mar 2018	174.5	194.9	169.6	191.5	181.7	390.7	428.6

Source: Franklin Templeton Investments and FactSet.

(a) A glossary of alternative performance measures is included on page 96 of the full annual report.
(b) The results for the year ended 30 April 2009 reflect £633m returned to the shareholders as a result of the tender offer in 2008.
(c) Excludes the special dividend of 2.50 pence per share in 2009.
(d) 11 months to 31 March 2010.
(e) A dividend of 15.00 pence per share for the year ended 31 March 2018 has been proposed.

2008–2018 NAV, share price and benchmark total return[a]

2008–2018 NAV and share price total return relative to the benchmark total return[b]

Annual NAV and share price total return relative to the benchmark total return[c]

(a) This graph shows the value of £100 invested on 31 March 2008 at 31 March 2018. The Ten Year Growth Record performance on page 3 of the full annual report differs as it was rebased from the financial year end at 30 April 2008.
(b) Rebased to 100 at March 2008.
(c) Periods are TEMIT reporting periods (to 30 April up to April 2009 and 31 March thereafter).

Chairman's Statement

Market Overview and Investment Performance

I reported at the half year stage that the recovery in the performance of emerging markets had continued. Since that time, and particularly in the current calendar year, volatility has returned. This is at least in part driven by global politics, with the US moving towards protectionism. While markets have reacted to this, the reaction has been more muted than was expected in some quarters. This possibly reflects the growing economic strength and autonomy of some of the countries in our investment universe where intra-regional trade has greatly increased, particularly in Asia, thereby reducing dependence on the US and Europe.

Despite this increased volatility, it is pleasing to report over the year under review a further double digit NAV total return and further marginal out-performance of our benchmark index, as set out in the table on page 1 of the full annual report.

Revenue, Earnings and Dividend

Underlying revenues were significantly higher than in the previous accounting period. Furthermore, as announced in last year's Annual Report, with effect from 1 April 2017, 70% of the annual AIFM fee and of the cost of borrowing is allocated to the capital account. This allocation reflects the Board's assessment of the likely ratio of long-term capital and revenue returns. The combined effect of the increased revenues and the change in the allocation of costs was to increase revenue earnings per share substantially, from 6.59 pence to 15.90 pence. Your Board recommends a final dividend of 15.00 pence per share, an increase of 81.8% from 8.25 pence last year.

In light of the increased revenue and recognising that many investors place a high value on a regular income, your Board believes that it would be beneficial in future to pay two dividends per year. These will be announced with the half yearly and full year results, with a first interim dividend to be declared with the half year results for the six months to September 2018.

As I and my predecessor have consistently pointed out, our Investment Manager's primary focus is on generating capital returns and we do not target a particular level of income.

The Investment Manager

On 1 February 2018 we announced that Chetan Sehgal, Director of Portfolio Management overseeing the global emerging markets strategy at Franklin Templeton, had been appointed Lead Portfolio Manager of TEMIT. Chetan's appointment followed the resignation from Franklin Templeton of our previous Lead Portfolio Manager, Carlos Hardenberg.

Chetan has been an investment manager with Franklin Templeton in emerging markets for over 22 years. During much of that time, Chetan worked closely with Carlos and was a key contributor in delivering TEMIT's out-performance through in-depth research and investment execution decisions.

The Investment Manager will continue to adhere to the time-tested Templeton investment philosophy of bottom up, long-term, value oriented emerging markets investing.

The TEMIT Board believes that the appointment of Chetan as Lead Portfolio Manager will continue the strong Templeton legacy and will enable the Company to produce superior long term returns. The Board looks forward to working with Chetan and his colleagues.

On behalf of the Board, I would like to thank Carlos for his contribution to TEMIT over the past several years.

Asset Allocation and Borrowing

The Investment Manager continued to deploy gearing in a cautious manner over the year under review. As at 31 March 2018, the current bank debt facility was fully drawn down and the level of gearing (net of cash in the portfolio) was 3.3%. If no cash had been held in the portfolio, based on the net asset value as at close of business on 31 March 2018, gearing would have been 6.5%.

The Discount

During the year to 31 March 2018, TEMIT's shares traded at discounts of between 9.2% and 14.5%, and on 31 March 2018 the discount was 12.2%.

Your Board continues to exercise its right to buy back shares when it believes this to be in shareholders' interests and with the aim of controlling volatility in the discount. We dealt in the market regularly over the year and, in total, bought back 9,661,644 shares, or 3.4% of the shares in issue at the start of the financial year. The effect of buying back shares at a discount was to increase the NAV per share for remaining shareholders by 0.4%.

As at 31 March 2018, TEMIT held 5,956,611 shares in treasury. The key advantage of shares held in treasury is that they can be reissued quickly and at minimal cost. In order to protect the interests of existing shareholders, shares held in treasury will only be reissued at a price above the prevailing NAV per share at the time of reissue.

For most of last year, and despite the strong investment performance, the discount remained stubbornly wide. We were, however, encouraged to see that the discount narrowed and remained stable from mid-December until the end of January. However, we were disappointed to see it come under pressure again in February and March as volatility returned to markets.

While share buy backs can help limit the supply of shares, it is equally important to stimulate demand. As mentioned in last year's Annual Report, your Board agreed with Franklin Templeton that the resources devoted to marketing would be increased, with the aim of stimulating demand for TEMIT's shares. A comprehensive marketing plan has been put in place. Over the past year, Franklin Templeton has launched a revamped website www.temit.co.uk which is optimised for mobile devices as well as desktop computers, launched on Twitter @ TEMIT and managed effective online advertising and media relations programmes, all of which have increased our profile.

Our website displays the latest news, price and performance information, portfolio details, updates from the Investment Manager and a blog dealing with topical issues in emerging markets. Via the website you can also ask to have the latest Company information e-mailed directly to you. I encourage all shareholders to register on our website and make full use of the facilities and materials available to help keep you informed about your Company.

Investor Communications

The Board and Investment Manager aim to keep shareholders informed and up-to-date with information about TEMIT as well as seeking feedback and comment from investors. I am aware that shareholders may, on occasion, wish to contact me or my fellow Board members directly and not via our Investment Manager. While our Investment Manager will, in most cases, be best placed to handle enquiries, I am at your disposal to receive any questions or comments, as is the Senior Independent Director or any of the other Directors, all of whom may be reached via our brokers whose contact details are enclosed at the end of this report.

AIFM Fees

The current annual AIFM fee is 1% of net assets up to £2 billion and 0.85% of net assets above that level. We have agreed with Franklin Templeton that, with effect from 1 July 2018, the annual AIFM fee will be reduced to 1% of net assets up to £1 billion and 0.85% of net assets above £1 billion.

The Board

As previously announced, Hamish Buchan will step down from the Board at the conclusion of this year's AGM. I would like to record your Board's thanks to Hamish for his considerable contribution to TEMIT since his appointment in 2008.

Beatrice Hollond will replace Hamish as Senior Independent Director at the conclusion of the AGM.

Charlie Ricketts will join the Board at the conclusion of the AGM subject to shareholder approval. With over 30 years' experience in the investment trust sector, he brings a wealth of experience to the Board. Charlie was Head of Investment Funds at Cenkos Securities for 8 years and prior to that was Managing Director, Head of Investment Companies at UBS Investment Bank. Since stepping down from Cenkos in 2014 he has pursued a number of business and charitable interests.

Outlook

Since the fourth quarter of 2015 we have experienced a substantial recovery in emerging markets and in TEMIT's performance relative to those markets, as measured by our benchmark index. However, in recent months markets have moved on from a benign phase with share prices subject to much more volatility.

Our Investment Manager takes a long term approach to investment, driven by detailed, fundamental analysis of the individual companies in which they choose to invest. An integral part of the Investment Manager's philosophy has been to "see through the noise" and your Board continues to encourage an approach of seeking fundamental value with a long term time horizon.

Emerging markets remain, on most metrics, less expensive than their developed counterparts and your Board and Investment Manager remain of the view that an investment in TEMIT should provide attractive rewards over the long term.

Annual General Meeting

I would like to invite all shareholders to attend the AGM to be held at Stationers' Hall, Ave Maria Lane, London at 12 noon on Thursday 12 July 2018. There will be an opportunity to meet the Board and the Lead Portfolio Manager and to hear the latest news on your Company, its investments and the markets, as well as take part in the formal annual meeting.

Paul Manduca
Chairman
5 June 2018

Strategy and Business Model

Company Objective

The objective of TEMIT is to provide long-term capital appreciation for private and institutional investors seeking exposure to global emerging markets, supported by both strong customer service and corporate governance.

Investment Policy

The Company seeks long term capital appreciation through investment in companies listed in emerging markets or companies which earn a significant amount of their revenues in emerging markets, but are listed on stock exchanges in developed countries.

It is intended that the Company will normally invest in equity instruments. However, the Investment Manager may invest in equity-related investments (such as convertibles) where they believe it is advantageous to do so. The portfolio may frequently be overweight or underweight in certain investments compared with the MSCI Emerging Markets Index and may be concentrated in a more limited number of sectors, geographical areas or countries than the benchmark. The Company may also invest a significant proportion of its assets in the securities of one issuer, securities domiciled in a particular country, or securities within one industry. No more than 10% of the Company's assets will be invested in the securities of any one issuer at the time of investment.

The Board has agreed that TEMIT may borrow up to 10% of its net assets.

Strategy

The Company seeks to achieve its objective by following a strategy focused on the following:

Performance

At the heart of the strategy is the appointment and retention of highly regarded investment management professionals, who will identify value and achieve superior growth for shareholders. The Investment Manager, under the leadership of Chetan Sehgal, continues to apply the same core investment philosophy that has driven TEMIT's performance since the Company's launch. The investment team aim to achieve long-term capital appreciation for shareholders by investing in companies that they believe offer long-term sustainable growth and good value, combined with strong management and sound governance. See pages 18 to 20 of the full annual report for details of the Investment Manager's process.

Liquidity

The Company is listed on the London and New Zealand Stock Exchanges. The Company has engaged Winterflood as Financial Adviser and Stockbroker, who act as a market maker for investors wishing to buy and sell shares in the Company. They also continually monitor the market in our shares.

Gearing

On 31 January 2017, the Company entered into a three year £150 million unsecured multi-currency revolving loan facility with The Bank of Nova Scotia, London Branch. Under the facility, up to £150 million may be borrowed, and drawings are available in pounds sterling, US dollars and Chinese renminbi

The Company's net gearing position was 3.3% (net of cash in the portfolio) at the year-end (2017: 0.8%). The Directors' Report on page 44 of the full annual report includes further commentary on the gearing facility.

The Board continues to monitor the level of gearing and considers gearing up to 10% to be appropriate.

Stability

The Board has powers to buy back the Company's shares as a discount control mechanism when it is in the best interests of the Company's shareholders. On a daily basis, the Board ensures that the share price discount to NAV is actively monitored. Discount management is reviewed regularly by the Board to ensure that it remains effective in the light of prevailing market conditions. This is discussed in more detail in the Directors' Report on page 45 of the full annual report.

Affirmation of Shareholder Mandate

In accordance with the Company's Articles of Association, the Board must seek shareholders' approval for TEMIT to continue as an investment trust every five years. This allows shareholders the opportunity to decide on the long-term future of the Company. The last continuation vote took place at the 2014 AGM, when 99.74% of shareholders voted in favour. The next continuation vote will take place at the 2019 AGM.

Communication

We ensure that investors are informed regularly about the performance of TEMIT and emerging markets through clear communication and updates.

TEMIT seeks to keep you updated on performance and investment strategy through the revamped website (www.temit.co.uk). Here you will find all the latest information on the Company, including monthly factsheets, portfolio holdings information, updates from the Investment Manager on the latest news on emerging markets and other important documents that will help shareholders understand how their investment is managed. During the year we also launched @TEMIT on Twitter.

We also hold investor briefings and discussions in order better to understand investor needs.

Service Providers

The Board conducts regular reviews of the Company's primary service providers as discussed on pages 46 and 47 of the full annual report, to ensure that the services provided are of the quality expected by TEMIT. The Directors also ensure that the Company's primary service providers have adopted an appropriate framework of controls, monitoring and reporting to enable the Directors to evaluate risk.

Business Model

The Company has no employees and all of its Directors are non-executive. The Company delegates its day-to-day activities to third parties.

At least quarterly, the Board reviews with Franklin Templeton International Services S.à r.l. ("FTIS" or the "Manager") and the Investment Manager a wide range of risk factors that may impact the Company. Further analysis of these risks is described on pages 12 and 13 of the full annual report. A full risk and internal controls review is held every September at the Audit Committee meeting.

Due to the nature of the Company's business, investment risk is a key focus and is reviewed on an ongoing basis by the Investment Manager as part of every investment decision. Further information on this process is detailed on page 20 of the full annual report.

The Board is responsible for all aspects of the Company's affairs, including the setting of parameters for the monitoring of the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, namely dividend, gearing, share issuance and buy backs, share price and discount/premium monitoring, and corporate governance matters.

Key Performance Indicators

The Board considers the following as the key performance indicators for the Company:

- Net asset value total return over various periods, compared to its benchmark;
- Share price, discount and use of buy back powers;
- Dividend and revenue earnings and
- Ongoing charges ratio.

The 10 year records of the KPIs are shown on pages 3 and 4 of the full annual report.

Net asset value performance

Net asset value performance data is presented within the Company Overview on page 1 along with the 10 year record on pages 3 and 4 of the full annual report.

The Chairman's Statement and the Investment Manager's Report, om pages 17 to 37 of the full annual report, include further commentary on the Company's performance.

Share price, discount and use of buy back powers

Details of the Company's share price and discount are presented within the Financial Summary on page 2 of the full annual report. On 24 May 2018, the latest date for which information was available, the discount had widened to 14.5%.

The Company has powers to buy back its shares as a discount control mechanism when it is in the best interests of the Company's shareholders. The Company was authorised at its AGM on 13 July 2017 to buy back up to 42,105,217 shares (or 14.99% of the Company's issued share capital on that date, whichever was lower). The present authority expires on the conclusion of the AGM on

12 July 2018. The Directors are seeking to renew this authority at the 2018 AGM. Additionally, permission was given by the shareholders at the 2017 AGM to place shares bought back into treasury.

Details on share buy backs in the year can be found on pages 6, 45 and 82 of the full annual report.

From 1 April 2018 to 24 May 2018, 3,634,942 shares were bought back for a total consideration of £26,696,000 and placed into treasury by the Company.

Share price discount to NAV

Dividend and revenue earnings

As noted in the Chairman's Statement on page 5 of the full annual report, underlying revenues were significantly higher this year. Total income earned was £60.5 million (2017: £46.1 million) which translates into net earnings of 15.90 pence per share (2017: 6.59 pence per share), an increase of 141.3% over the prior year. The increase in revenue earnings per share was partly attributable to the increase in underlying revenues and partly attributable to the change in the policy of allocating management fees and the cost of borrowing (70% to the capital account).

The Board is proposing a dividend of 15.00 pence per share.

Ongoing charges ratio ("OCR")

The OCR fell to 1.12% for the year ended 31 March 2018, compared to 1.20% in the prior year. This was due to the AIFM fee reduction as detailed within the Directors' Report, and an increase in the average net assets during the year.

Costs associated with the purchase and sale of investments are taken to capital and are not included in the OCR. Transaction costs are disclosed in Note 6 to the Financial Statements on page 81 of the full annual report.

Principal Risks

The principal risks facing the Company, as determined by your Board, are summarised in the table below. Further explanation of the monitoring of risk and uncertainties is covered within the Report of the Audit Committee on pages 59 and 60 of the full annual report. Information on the risks that TEMIT is subject to, including additional financial and valuation risks, are also detailed in Note 13 of the Notes to the Financial Statements.

Risk	**Mitigation**
Investment and concentration The portfolio will diverge significantly from the MSCI Emerging Markets Index and may be concentrated in a more limited number of sectors, geographical areas or countries. This is consistent with the stated investment approach of long-term value investing. Where possible, investment will generally be made directly in the stock markets of emerging countries. Emerging markets can be subject to greater price volatility than developed markets.	The Board regularly reviews the portfolio composition / asset allocation and discusses related developments with the Investment Manager. The Investment Compliance team of the Investment Manager monitors concentration limits and potential breaches are signalled to portfolio management for remedial action.
Market Market risk arises from volatility in the prices of the Company's investments, from the risk of volatility in global markets arising from macroeconomic and geopolitical circumstances and conditions as well as from the borrowing utilised by TEMIT. Many of the companies in which TEMIT invests are, by reason of the locations in which they operate, exposed to the risk of political or economic change. In addition, exchange control, tax or other regulations introduced in any country in which TEMIT invests may affect its income and the value and marketability of its investments.	The Board regularly reviews and discusses with the Investment Manager the portfolio and investment performance of the Company and the execution of the investment policy against the long-term objectives of the Company. The Board also reviews regularly risk management reports from the Manager's independent risk team.
Foreign currency Currency movements may affect TEMIT's performance. In general, if the value of sterling increases compared with a foreign currency, an investment traded in that foreign currency will decrease in value because it will be worth less in sterling terms. This can have a negative effect on the Company's performance.	The Board monitors currency risk as part of the regular portfolio and risk management oversight. TEMIT does not hedge currency risk.

Portfolio liquidity The Company’s portfolio may include securities with reduced liquidity. This may impair the ability to sell assets which could limit the Investment Manager’s ability to make significant changes to the portfolio.	The closed ended structure of TEMIT reduces the impact to shareholders of potential illiquidity in the portfolio. The Board regularly receives and reviews updates on portfolio liquidity.
Credit Certain transactions that the Company enters into expose it to the risk that the counterparty will not deliver an investment (purchase) or cash (in relation to a sale or declared dividend) after the Company has fulfilled its responsibilities.	The Board receives regular reporting and reviews the approved counterparty list of the Investment Manager on an annual basis and receives and reviews regular reporting on counterparty risk from the Manager’s independent risk team.

Risk	Mitigation
Operational and custody Like many other investment trust companies, TEMIT has no employees. The Company therefore relies upon the services provided by third parties and is dependent upon the control systems of the Manager and of the Company’s other service providers. The security, for example, of the Company’s assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements depends on the effective operation of these systems.	The Manager’s systems are regularly tested and monitored and an internal controls report, which includes an assessment of risks together with an overview of procedures to mitigate such risks, is prepared by the Manager and reviewed by the Audit Committee annually. J.P. Morgan Europe Limited is the Company’s depositary. Its responsibilities include cash monitoring, safe keeping of the Company’s financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company’s compliance with investment limits and borrowing requirements. The depositary is liable for any loss of financial instruments held in custody and will ensure that the custodian and any sub-custodian segregate the assets of the Company. The depositary oversees the custody function performed by JPMorgan Chase Bank. The custodian provides a report on its key controls and safeguards (SOC 1/SSAE 16/ISAE 3402) which is independently reported on by its auditor, PwC. The Board reviews regular operational risk management reporting provided by the Investment Manager.
Key personnel The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff.	The Manager endeavours to ensure that the principal members of its management teams are suitably incentivised, participate in strategic leader programmes and monitor key succession planning metrics. The Board regularly discusses this risk with the Manager.
Regulatory The Company is an Alternative Investment Fund (“AIF”) under the European Union’s Alternative Investment Fund Managers Directive. The Company operates in an increasingly complex regulatory environment and faces a number of regulatory risks. Breaches of regulations could lead to a number of detrimental outcomes and reputational damage.	The Board is active in ensuring that the Company complies with all applicable laws and regulation and its internal risk and control framework reduces the likelihood of breaches happening. As appropriate the Board is assisted by the Manager in doing this.
Cyber Failure or breach of information technology systems of the Company’s service providers may entail risk of financial loss, disruption to operations or damage to the reputation of the Company.	The Company benefits from Franklin Templeton’s technology framework designed to mitigate the risk of a cyber security breach. For key third party providers, the Audit Committee receives regular independent certifications of their controls environment.

Although not judged a principal risk for the Company, the Board continues to monitor developments around Brexit. Additionally, the Manager has a dedicated working group assessing the potential impact of Brexit.

Environmental, Social and Governance Matters

As an investment trust, the Company has no significant direct social, community, environmental or employee responsibilities. Its policy is focused on ensuring that its funds are properly managed and invested within the guidelines approved by the Board. The

Board receives regular reports on the policies and controls in place.

The Investment Manager invests in companies which it considers to be well-managed and subject to appropriate corporate governance. A well-managed company is considered to be one which complies with all the relevant legislation and which meets the environmental, social, governance ("ESG") requirements of the country in which it operates. It is important to recognise that local laws and requirements of emerging markets do not necessarily equate with those of developed countries.

ESG issues have become increasingly important to companies worldwide as they seek to balance organisational goals with the expectations of their stakeholders in an increasingly complex operating environment. When companies manage these stakeholder relationships effectively, they are, in general, more successful at managing risks and capturing opportunities – placing them in a better position for long-term success.

Recognising the importance of these considerations, the Investment Manager became a signatory to the United Nations Principles for Responsible Investment ("UNPRI") in 2013. Becoming a signatory is a natural extension of the Investment Manager's existing practices to integrate ESG considerations within its investment process.

In addition, the Investment Manager has established a dedicated ESG team to support and enhance integration of UNPRI within its investment processes and provide firm wide support and participation in Responsible Investing Initiatives such as UNPRI. As a signatory, the Investment Manager reports annually on its integration approach and progress. A link to the UNPRI Transparency Report can be located at www.temit.co.uk. Additionally the Investment Manager is an active member of industry associations promoting best practice and greater understanding of evolving ESG practices. A full listing can be found at www.temit.co.uk.

As a long-term investor, the Investment Manager performs extensive bottom-up investment analysis, employing rigorous and comprehensive processes to assess both the risk and return potential of the investments it considers for the Company. The depth of its research provides comprehensive insights into the many factors that affect the value of an investment, which may include environmental, social and governance issues. The Investment Manager determines the extent to which various research inputs are included and weighted in its investment decisions.

TEMIT has no greenhouse gas emissions to report from the operations of the Company, as all of its activities are outsourced to third parties, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

On 26 March 2015, the Modern Slavery Act 2015 came into force. TEMIT has no employees and is not an organisation which provides goods or services as defined in the Act and thus the Company considers that the Act does not apply.

Diversity

The Board supports the principle of diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of gender, thought, experience and qualification. The Board currently comprises six Directors, five male and one female.

Viability Statement

The Board consider viability as part of their continuing programme of monitoring risk. In preparing the Viability Statement, in accordance with the UK Corporate Governance Code provision C.2.2, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

The Board have considered the Company's business and investment cycles and are of the view that five years is a suitable time horizon to consider the continuing viability of the Company, balancing the uncertainties of investing in listed emerging market securities against having due regard to viability over the longer term.

In assessing the Company's viability, the Board have performed a robust assessment of controls over the principal risks. The Board consider, on an ongoing basis, each of the principal risks as noted above and set out in Note 13 of the Notes to the Financial Statements. Financial measures, including the ability of the Company to meet its ongoing liabilities, are also reviewed. The Board monitor income and expense projections for the Company, with the majority of the expenses being predictable and modest in comparison with the assets of the Company. The Company sees no issues with meeting the obligations of the gearing facility. A significant proportion of the Company's expenses are in ad valorem investment management fees, which would naturally reduce if the market value of the Company's assets were to fall.

Taking into account the above considerations, the Board have concluded that there is a reasonable expectation that, assuming there will be a successful continuation vote at the 2019 AGM, the Company will be able to continue to operate and meet its liabilities as they fall due over the next five years.

Future Strategy

The Company was founded, and continues to be managed, on the basis of a long term investment strategy which seeks to generate superior returns from investments, principally in the shares of carefully selected companies in emerging markets.

The Company's results will be affected by many factors including political decisions, economic factors, the performance of investee companies and the ability of the Investment Manager to choose investments successfully.

The Board and the Investment Manager continue to believe in investment with a long term horizon in companies that are undervalued by stock markets but which are fundamentally strong and growing. It is recognised that, at times, extraneous political, economic and company-specific factors will affect the performance of investments, but the Company will continue to take a long term view in the belief that patience will be rewarded.

The Company's overall strategy remains unchanged and is expected to remain consistent with these aims for the foreseeable future.

By order of the Board

Paul Manduca
5 June 2018

The Investment Manager

The Investment Manager comprises a large, experienced team of emerging markets equity specialists. Previously known as the Templeton Emerging Markets Group ("TEMG"), the group has recently integrated with other local emerging markets teams to form the Franklin Templeton Emerging Markets Equity group ("FTEME" or the "Investment Manager"). FTEME brings together all of Franklin Templeton's emerging markets investment specialists in one organisation.

Franklin Templeton is one of the pioneers of emerging market investment with more than 30 years' experience and a significant presence in these areas. With over 80 portfolio managers and analysts, FTEME is one of the largest asset managers dedicated to emerging markets investing. Their on-the-ground presence in countries around the globe and years of relevant industry experience greatly assists their understanding of the companies researched for inclusion in the TEMIT portfolio. FTEME analysts are responsible for researching emerging markets and deciding which companies, in their opinion, offer the strongest risk and reward opportunities for TEMIT investors over the long term.

Portfolio Manager

Chetan Sehgal, CFA

Chetan Sehgal became the Lead Portfolio Manager for TEMIT on 1 February 2018. Chetan has been an integral part of the Investment Manager's Emerging Markets Group since joining in 1995, contributing to the Group's investment strategy. In October 2015, he was more formally recognised with his appointment to Senior Research Analyst and later as Deputy Portfolio Manager, working very closely with Carlos Hardenberg, the previous Lead Portfolio Manager. Prior to October 2015, as part of the Investment Manager's broader team, Chetan contributed investment research and to the overall investment strategy for TEMIT.

As part of his broader responsibilities within FTEME, Chetan is a Senior Managing Director and the Director of Portfolio Management. In this capacity, he is responsible for managing the overall Global Emerging Markets and Small Cap strategies, providing guidance and leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across funds investing in these strategies.

He joined Franklin Templeton in 1995 from the Credit Rating Information Services of India, Ltd where he was a senior analyst.

Chetan holds a BE (Hons) in mechanical engineering from the University of Bombay and a post-graduate diploma in management from the Indian Institute of Management in Bangalore, where he specialised in finance and business policy and graduated as an institute scholar. Chetan speaks English and Hindi and is a Chartered Financial Analyst ("CFA") charterholder.

As well as drawing on his wealth of experience in managing emerging markets portfolios, Chetan is able to draw on the support of the large resources of the FTEME team and the independent analysis of the Franklin Templeton Investment Risk Management Group (see page 20 of the full annual report).

Carlos Hardenberg

Carlos Hardenberg was the Lead Portfolio Manager for TEMIT from 1 October 2015 until 31 January 2018.

Investment Manager's Process

Investment Philosophy

FTEME is known for its disciplined, yet flexible, long-term approach to finding attractive stocks derived from more than 30 years of experience.

FTEME's research-based, active approach to investing is intended to find companies with high standards of corporate governance, which respect their shareholder base and which understand the local intricacies that may determine consumer trends and habits. Utilising a large team of analysts, the FTEME team aims to maintain close contact with the board and senior management of existing and potential investments and believes in engaging constructively with investee companies.

Value

FTEME's investment style is based on finding good value in the companies in which to invest. Value is defined by reference to analysts' projections of the growth potential of companies, with a strong focus on sustainable earnings power and risks to that potential. This means that FTEME looks beyond traditional measures of value such as price/earnings ratios to a detailed analysis of a company's share price compared with potential long-term return, over typically five years or more. FTEME seeks companies whose shares are trading at a discount to its assessment of their value.

Patience

On a short-term basis, stocks may overreact to news and noise. On a long-term basis, FTEME believe that markets are efficient and that patience will reward those who have identified undervalued stocks.

Bottom-up

FTEME identifies value through rigorous fundamental analysis and a worldwide network of experienced research resources. Research is carried out on a company by company basis – in different countries, geographical regions and industries – to determine an assessment of the economic worth of a company, based on many factors including projected future earnings, cash flow or asset value potential as well as management capability and governance.

While FTEME considers politics and macroeconomic events as an integral part of its investment process, it is their view that a fundamental focus on individual companies and their earnings can often play a bigger role in achieving investment objectives. The Investment Manager's investment style is based on finding good value in the companies in which it chooses to invest.

The Investment Manager's process is detailed below:

1. Identify Potential Bargains *Does this stock meet FTEME's criteria of valuation, size and liquidity?* *Is it a potential bargain within the global universe, its sector and on a historical basis?*	The large and experienced research team is key to the Franklin Templeton process. While their philosophy remains unchanged, continual refinement and improvement is part of the FTEME culture. FTEME is able to leverage 60+ years of global investing by Franklin Templeton Investments to build an extensive network of local contacts around the world.
2. In Depth Fundamental Analysis *Is this stock a candidate for the FTEME Action List? Is the stock trading at a substantial discount to what their research indicates the company may be worth over the long-term?*	Within the framework of a disciplined, long-term approach, analysts look beyond short-term noise to estimate long-term economic worth. Bottom-up fundamental analysis, industry knowledge and access to company management drive original research.
3. Team Review Process *Has analysis met FTEME standards?* *Does the recommendation pass the FTEME review process?*	A collaborative team culture that leverages the experience of the entire FTEME group produces comprehensive research insights.
4. Construct Portfolio *What is considered to represent the best combination of stocks for creating a diversified portfolio with the greatest potential for appreciation?*	Taking into account the investment objective and guidelines, the portfolio is constructed with attention to diversification and risk levels. The process seeks to reduce portfolio turnover. The portfolio combines FTEME's best ideas with the risk benefits of diversification.
5. Portfolio Evaluation and Attribution Analysis *What are the performance contributors/detractors?* *FTEME follows a disciplined sell methodology where fair value is exceeded, another stock has greater value potential, or a fundamental company change alters the forecast.*	Portfolios are subject to weekly review, while a semi-annual review evaluates methodology, resources, themes, country level issues and global trends. FTEME's investment process combines the benefits of individual and team portfolio management.

Investment Risk Management

Investment in emerging market equities inevitably involves risk in a volatile asset class, and portfolios constructed from the "bottom up" may be exposed to risks that become evident when viewed from the "top down". FTEME is one of a number of Investment Management groups within Franklin Templeton Investments ("FTI"). FTI uses a comprehensive approach to managing risks within its managed portfolios and this approach is inherent in all aspects of the investment process. Investment risks are to be identified and intentional. Risk is to be optimised, not minimised:

Risk management is led first and foremost by experienced portfolio managers. It is integrated within each step of FTEME's fundamental, research-driven process, and includes formalised collaboration with FTI's independent Investment Risk Management Group. The group consists of over 90 investment risk and performance professionals in 20 global locations. The group is responsible for the independent preparation and monitoring of risk management information and for the reporting of any exceptions to senior management and the Board of the Company. A monthly executive risk summary report is reviewed by FTI's Executive Investment Risk Committee as an input to the senior management reporting process. The group also provides regular performance analysis versus the benchmark and peers to identify absolute and relative performance trends or outliers. Exposure and attribution analysis is another key measure to support the integration of investment risk insight into each step of the investment process.

Risk management		**The approach**
Integrated • Begins with portfolio management	**PORTFOLIO MANAGERS**	• Strong risk management begins with the portfolio management team's research process and the assessment of market and active risk
Independent • Strengthened by an independent risk team		• The Investment Risk Management Group reports directly to the FTI CEO and serves multiple stakeholders within FTI • Collaboration between portfolio managers and specialised risk professionals
Insightful • Powered by actionable insights		• No single measure or methodology can reveal the "truth" about risk. It requires a mosaic of analytics, oversight protocols and consultation

Building from this philosophy and within the boundaries of the overall investment strategy or potential regulatory restrictions, the portfolio manager and Investment Risk Management Group will agree upon guidelines that reflect TEMIT's risk profile.

As part of the ongoing risk management, potential performance in stressed markets or under anticipated scenarios are assessed and discussed. Using their specific expertise and with an independent view, the Investment Risk Management Group can provide risk-related information to the Investment Manager which can provide valuable insight for consideration in the portfolio construction process.

For additional information with respect to the AIFM risk management framework, visit the Investor Disclosure Document on the website.

Portfolio Report

Market Overview

Despite periods of volatility in 2018, emerging-markets equities delivered steady returns over the year to 31 March 2018, with the MSCI Emerging Markets Index growing by 11.8%. This was thanks to a combination of tailwinds. Over the same period TEMIT produced a net asset value total return of 12.4% (all figures in sterling). Full details of TEMIT's performance can be found on page 1 of the full annual report.

One of the most significant tailwinds was the synchronised global economic growth, which remained strong and resulted in the most broad-based global upswing since 2010[a]. Against this backdrop, commodity prices rebounded. Brent crude oil, for example, pushed past USD 70 per barrel for the first time in more than three years before settling at USD 69 at the end of the reporting period.

These developments were good news for emerging markets equities, which also continued to benefit from rising consumer spending and the technology revolution which drove greater corporate efficiencies and innovation. Emerging markets corporate earnings grew over the period but valuations remained attractive compared to those in developed markets, providing interesting investment opportunities. Investors reacted positively and flows into emerging markets funds surged.

While the emerging markets rally was mostly steady, bouts of volatility surfaced in 2018. Global stocks experienced brief falls in February as worries of resurgent US inflation outweighed initial optimism about an improving world economy. Investors who had largely shrugged off the US Federal Reserve's interest rate increases in 2017 began to assess the likelihood of more aggressive rate hikes ahead. Markets were also unnerved by rising trade tensions as the US announced tariffs on imported steel and aluminium, as well as a range of Chinese products. This was followed by moderate retaliatory action on the part of the Chinese government.

On balance, however, emerging markets were buoyant, with Asia riding the wave of technological innovation. **Chinese** stocks rose sharply amidst robust economic growth. China's gross domestic product ("GDP") expanded by 6.9% in 2017, marking its first annual acceleration in seven years. Exports rose on the back of strong global demand; fixed asset investment and retail sales also increased. China's economic strength allayed concerns about its ability to grow amidst wide-ranging reforms. Tackling industrial overcapacity, the government shut down illegal and inefficient steel mills and coal mines. Capital market reforms bore fruit as MSCI decided to include China A-shares in its benchmark indices from June 2018. On the political front, President Xi Jinping consolidated his power, aided by the parliament's removal of a two-term limit on the presidency. China was TEMIT's largest market position at the end of the reporting period. Investment opportunities were plentiful as growing affluence and consumer demand propelled a broad array of industries ranging from e-commerce to luxury cars.

South Korean equities advanced, though returns were capped by geopolitical tensions in the Korean Peninsula. Efforts by newly elected South Korean President Moon Jae-in to broker peace with North Korea helped to defuse some pressure. We note that geopolitical tensions in the region are not new and are generally reflected in stock prices. In fact, periods of market weakness can create opportunities to invest in well-run companies at compelling valuations. Moreover, South Korea is looking to improve corporate governance and the government took steps in this direction during the reporting period. Against this backdrop, TEMIT increased its weighting in South Korea, particularly in the information technology sector where certain companies stand out as world-leading brands.

[a] Source: International Monetary Fund, World Economic Outlook Update, January 2018. © 2018 International Monetary Fund. All Rights Reserved.

Taiwan's stock market, where technology companies dominate, was influenced by sentiment towards the information technology sector. Strong demand for smartphones and other gadgets around the world increased Taiwan's technology-related exports in 2017. However, companies supplying parts used in Apple's iPhones were held back by lower than expected demand for the new iPhone X. The Taiwan dollar's strength against the US dollar also weighed on exporters' earnings. Notwithstanding the mixed news flow, Taiwanese companies continue to play an integral role in the global technology supply chain. As we have previously outlined, technology is likely to remain a major investment theme in emerging markets as innovations reshape an increasing number of industries. For this reason, TEMIT maintained a substantial position in Taiwanese companies.

By comparison, **India's** exposure to global technology trends was modest. Instead, its stock market was largely driven by economic reforms and political developments at home. Indian equities inched higher as policy changes drew uneven reactions from investors. The rollout of a national goods and services tax, though bumpy, was largely welcomed for its potential to reduce bureaucracy and raise government revenue. However, the reintroduction of a long-term capital gains tax on equities hurt sentiment. Adding to caution, stock valuations in India were higher than those in other major emerging markets. As we have not seen many compelling investment opportunities meeting our investment criteria, TEMIT remains underweight in India.

In Latin America, **Brazilian** stocks rallied. An economic recovery, accommodative monetary policy and structural reforms lifted market confidence. Brazil's GDP grew in 2017 after two straight years of contraction, buttressed by strength in the agriculture sector and increased consumer spending. At the same time, tame inflation allowed the central bank to cut its key interest rate to a record low to support the economy. Reforms progressed in areas like the labour market, though the government failed to push through a pivotal overhaul of Brazil's costly pension system. TEMIT was positioned for improvements in Brazil and increased its weighting in the market during the financial year, especially in financial companies.

Conversely, **Mexican** equities faltered and lagged their Latin American counterparts. The peso's weakness against sterling had a slight impact on returns. Stocks were hindered by subdued economic data and by continued uncertainty around the renegotiation of the North American Free Trade Agreement ("NAFTA"). US tariffs on steel and aluminium imports included exemptions for Mexico and Canada that would be positive, but that are conditional on the progress of NAFTA talks. Meanwhile, investors continued to keep a close eye on Mexico's presidential election race as most opinion polls placed left-wing populist Andres Manuel Lopez Obrador in the lead. TEMIT only invests in a small number of opportunities in Mexico, resulting in an underweight position compared to the benchmark index.

Elsewhere, **Russian** equities overcame a lull early in the period to finish higher. Markets however remained concerned about additional sanctions from the US and Europe, though a recovery in oil prices helped to alleviate the impact to same degree. Russia's economy returned to growth in 2017 after shrinking for two consecutive years. With inflation touching record lows, the central bank lowered its benchmark interest rate and indicated a potential for further monetary policy easing. Russia's political environment was largely stable and President Vladimir Putin achieved a landslide re-election victory in March of 2018. Importantly, Russia's stock valuations remained attractive relative to the emerging-market universe, and Russian companies appeared well-positioned for earnings growth amidst the economic turnaround, however we are mindful of the ongoing sanctions but are still seeing selective opportunities and as a result, TEMIT added to its position in Russia within the period.

South Africa's stock market received a boost from the election of the African National Congress leader Cyril Ramaphosa as the country's president following Jacob Zuma's resignation—a development that raised hopes for the introduction of pro-business reforms. Although TEMIT increased exposure to South Africa during the reporting period, this was purely via Naspers which, through its more than 30% ownership of Tencent, gives indirect exposure to China rather than the domestic South African market.

From a sector perspective, **information technology** led the emerging markets rise. Internet-related companies delivered stellar returns as the digital revolution continued, whether in e-commerce, mobile payments or cloud computing. The growing services that smartphones and other devices support required ever-higher-specification components. This effect benefitted chip makers and other electronic component producers. The **financial** sector was another strong performer as improving macroeconomics lifted prospects for banks and other financial institutions. Separately, the **consumer discretionary** sector was boosted by strong consumer spending, which remains a major economic driving force in emerging markets.

Portfolio Changes and Performance

The following sections show how different investment factors (stocks, sectors and geographies) accounted for the Company's performance over the period. Stock selection was once again the primary driver of TEMIT's outperformance relative to its MSCI benchmark (see table below). This reflects the emphasis that we put on our bottom-up stock selection investment process. A description of our investment management philosophy, process and approach to risk management is set out on pages 18 to 20 of the full annual report. We select companies based on their individual attributes and ability to generate risk-adjusted returns for investors, rather than taking a top-down approach in allocating funds to sectors, countries or geographic regions. Avoiding stocks from the index which do not fit our investment criteria can be as important as identifying companies which do.

Performance Attribution Analysis %

Year to 31 March	2018	2017	2016	2015	2014
Net asset value total return[a]	12.4	47.8	(17.1)	9.6	(14.6)
Expenses incurred	1.1	1.2	1.2	1.2	1.3
Gross total return[a]	13.5	49.0	(15.9)	10.8	(13.3)
Benchmark total return[a]	11.8	35.2	(8.8)	13.2	(9.9)
Excess return[a]	1.7	13.8	(7.1)	(2.4)	(3.4)
Stock selection	1.3	13.7	(11.4)	(0.1)	(4.6)
Sector allocation	(0.3)	0.1	2.0	(7.8)	(0.5)
Currency	0.4	0.2	1.5	6.0	1.4
Residual[a]	0.3	(0.2)	0.8	(0.5)	0.3
Total portfolio manager contribution	1.7	13.8	(7.1)	(2.4)	(3.4)

Source: FactSet and Franklin Templeton Investments.

[a] A glossary of alternative performance measures is included on page 96 of the full annual report.

Contributors and detractors by security

Top contributors to relative performance by security (%)[a]

Top contributors	Country	Sector	Share price total return	Relative contribution to portfolio
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	12.0	1.0
Ping An Insurance Group	China/Hong Kong	Financials	81.2	0.5
Yandex[b]	Russia	Information Technology	60.7	0.4
Mail.Ru, GDR[b]	Russia	Information Technology	41.4	0.3
Steinhoff International Holdings[c]	South Africa	Consumer Discretionary	(94.8)	0.3
Banco Bradesco, ADR	Brazil	Financials	17.6	0.3
China Mobile	China/Hong Kong	Telecommunication Services	(18.8)	0.3
Bank Danamon Indonesia	Indonesia	Financials	32.3	0.3
NagaCorp	Cambodia	Consumer Discretionary	68.8	0.3
Samsung Electronics	South Korea	Information Technology	16.3	0.3

[a] For the period 31 March 2017 to 31 March 2018.
[b] Security not included in the MSCI Emerging Markets Index.
[c] Security not held by TEMIT.

Brilliance China Automotive manufactures and sells automobiles for the Chinese market, predominantly through its joint venture with German luxury car maker BMW. It reported strong volume and profit growth over the first half of its financial year, supported by generally robust demand. We expect the rise of China's upper middle class to continue driving the luxury car market in the country, and we are optimistic about the company's ability to capture that growth through new vehicle launches.

Ping An Insurance Group is a China-based personal financial service provider with three core businesses—insurance, banking and investment. It is one of the largest life, property and casualty (coverage against loss of property, damage or other liabilities) insurers in China by premiums. The company's full-year net profit beat market expectations, supported by strength in its life and health insurance business. We expect further growth from the company's core insurance operations as, well as their financial technology businesses.

Yandex is a technology company. Its core product is its search engine. In its home market, Russia, it has more than 50% of all search traffic. It also owns the leading online taxi services provider in the country, as well as e-commerce and classified advertising businesses. Yandex reported double-digit revenue growth in 2017, largely driven by strength in its core search and taxi operations. The merger between Yandex.Taxi and Uber Russia provided investors with additional good news. We expect to see continued growth in Yandex's search engine and taxi businesses. Further, the online advertising market should continue to take market share from traditional media outlets, benefitting the company.

Top detractors to relative performance by security (%)[a]

Top detractors	Country	Sector	Share price total return	Relative contribution to portfolio
Astra International	Indonesia	Consumer Discretionary	(25.2)	(0.9)
IMAX[b]	United States	Consumer Discretionary	(49.6)	(0.7)
Banco Santander Mexico, ADR[b]	Mexico	Financials	(25.5)	(0.5)
Glenmark Pharmaceuticals	India	Health Care	(44.6)	(0.4)
MCB Bank	Pakistan	Financials	(14.7)	(0.4)
Tencent	China/Hong Kong	Information Technology	62.9	(0.4)
Largan Precision	Taiwan	Information Technology	(33.0)	(0.3)
Thai Beverages[b]	Thailand	Consumer Staples	(18.2)	(0.3)
Celltrion[c]	South Korea	Health Care	227.7	(0.3)
Wiz Soluções e Corretagem[b]	Brazil	Financials	(45.1)	(0.3)

(a) For the period 31 March 2017 to 31 March 2018.
(b) Security not included in the MSCI Emerging Markets Index.
(c) Security not held by TEMIT.

Astra International is an Indonesia-based conglomerate with businesses in the automotive, financial services, heavy equipment, infrastructure, IT and property industries. Its largest business, the automotive division, distributes motorcycles, cars and trucks under brands such as Honda and Toyota. It also provides after-sales services and auto components. Astra's full-year net profit missed market expectations as car sales weakened in the face of increased competition. Nevertheless, we remain positive about long-term automotive demand in Indonesia as the economy continues to grow.

IMAX is an entertainment technology company specialising in motion-picture technologies. It designs and manufactures premium theatre systems and has installed these systems around the world, of which a substantial number are in emerging markets. Weaker-than-expected box office results weighed on IMAX and it embarked on a cost-cutting exercise. However, we expect demand for premium cinematic experiences to grow in emerging markets and the company, we believe, is well-positioned to increase its market share. We are also positive about its share buy back programme.

Banco Santander Mexico is one of the leading financial groups in its home market. It offers a wide range of services, including retail and commercial banking. Mexican equities generally underperformed their emerging markets peers over the year on concerns surrounding the ongoing NAFTA renegotiation and the 2018 presidential election. Disappointing earnings over the last two quarters of 2017 further pressured returns from the stock. However, we believe that the company is well positioned to benefit from the growth in the banking sector, where penetration currently remains low.

Top contributors and detractors to relative performance by sector (%)[a]

Top contributors	MSCI Emerging Markets Index sector total return	Relative contribution to portfolio	Top detractors	MSCI Emerging Markets Index sector total return	Relative contribution to portfolio
Financials	12.4	1.0	Health Care	20.1	(0.9)
Telecommunication Services	(6.3)	0.8	Real Estate	18.4	(0.2)
Materials	7.5	0.4	Consumer Staples	3.8	(0.1)
Utilities	(2.3)	0.3	Information Technology	25.4	(0.1)
Consumer Discretionary	4.0	0.1	Energy	11.7	(0.1)

Industrials	(2.4)	0.0

(a) For the period 31 March 2017 to 31 March 2018.

The financial sector was the largest contributor to performance, followed by the telecommunication services and materials sectors. Stock selection in the financial sector, which is a significant investment theme in the portfolio, proved favourable and we increased our positions during the reporting period. Our underweight position in telecommunication services also helped investment performance relative to the benchmark index as the sector lost ground. We sought investment opportunities elsewhere as we saw high levels of regulation and few growth catalysts in this area. Conversely, the health care, real estate, consumer staples and information technology sectors held back relative results. We added to holdings in information technology and health care during the period.

Top contributors and detractors to relative performance by country (%)[a]

Top contributors	**MSCI Emerging Markets Index country total return**	**Relative contribution to portfolio**	**Top detractors**	**MSCI Emerging Markets Index country total return**	**Relative contribution to portfolio**
Russia	8.5	1.3	United States[b]	–	(0.7)
China/Hong Kong	24.0	0.6	Thailand	20.7	(0.6)
South Africa	12.4	0.5	Indonesia	(3.5)	(0.5)
Kenya[b]	–	0.5	Pakistan	(23.5)	(0.5)
Cambodia[b]	–	0.3	Hungary	23.6	(0.3)
Qatar[c]	(20.6)	0.2	South Korea	12.3	(0.3)
Brazil	13.0	0.2	United Kingdom[b]	–	(0.2)
Taiwan	8.3	0.2	Mexico	(9.9)	(0.1)
United Arab Emirates[c]	(11.2)	0.2	Saudi Arabia[b]	–	(0.1)
Philippines	(7.1)	0.1	Peru	29.0	(0.0)

(a) For the period 31 March 2017 to 31 March 2018.
(b) No companies included in the MSCI Emerging Markets Index in this country.
(c) No companies held by TEMIT in this country.

Our selection of stocks in Russia, China/Hong Kong and South Africa were major contributors to TEMIT's returns relative to the MSCI Emerging Markets Index. Higher oil prices, an easing monetary policy, stronger earnings growth prospects and undemanding valuations buoyed Russian equity prices while a change of leadership boosted South Africa's stock market. In contrast, relative performance was hampered by stock selection and an overweight position in Thailand and Indonesia, as well as an overweight position in Pakistan. We pared our position in Pakistan, where political instability weighed on the stock market. However, the largest country detractor was the US due to TEMIT's holding in IMAX, which is listed in the US but has significant exposure to emerging markets. IMAX is discussed in the stock detractors section above.

Our resulting portfolio is listed by size of holding on pages 30 to 34 of the full annual report.

Portfolio changes by Sector

Sector	**31 March 2017 market value £m**	**Purchases £m**	**Sales £m**	**Market movement £m**	**31 March 2018 market value £m**	**Total return in sterling: TEMIT %**	**Total return in sterling: MSCI Emerging Markets Index %**
Information Technology	626	105	99	116	748	22.2	25.4
Financials	439	121	94	63	529	17.5	12.4
Consumer Discretionary	476	45	98	31	454	6.5	4.0
Energy	186	8	22	12	184	13.4	11.7
Consumer Staples	176	6	16	1	167	3.1	3.8
Materials	129	35	41	16	139	14.0	7.5
Industrials	68	14	6	(9)	67	(12.3)	(2.4)
Health Care	34	15	–	(11)	38	(23.8)	20.1

Telecommunication Services	11	30	11	(4)	26	(18.3)	(6.3)
Real Estate	13	–	–	1	14	14.7	18.4
Utilities	8	–	1	(2)	5	(18.4)	(2.3)
Other Net Assets	(18)	–	–	(52)	(70)	–	–
Total	**2,148**	**379**	**388**	**162**	**2,301**		

Sector Asset Allocation
As at 31 March 2018

Sector weightings vs benchmark (%)

Portfolio changes by Country

						Total return in sterling	
Country	**31 March 2017 market value £m**	**Purchases £m**	**Sales £m**	**Market movement £m**	**31 March 2018 market value £m**	**TEMIT %**	**MSCI Emerging Markets Index %**
China/Hong Kong	471	92	184	127	506	28.8	24.0
South Korea	266	87	16	16	353	9.7	12.3
Taiwan	220	30	27	8	231	8.0	8.3
Russia	168	3	–	42	213	28.6	8.5
Brazil	173	56	44	27	212	11.8	13.0
South Africa	116	23	5	26	160	25.2	12.4
India	132	23	25	(13)	117	(7.3)	(1.7)
Thailand	123	–	8	1	116	4.7	20.7
Other	497	65	79	(20)	463	–	–
Other Net Assets	(18)	–	–	(52)	(70)	–	–
Total	**2,148**	**379**	**388**	**162**	**2,301**		

Geographic Asset Allocation
As at 31 March 2018

Country weightings vs benchmark (%)[a]

[a] Other countries included in the benchmark are Chile, Colombia, Egypt, Greece, Malaysia, Poland, Qatar, Romania, Turkey and United Arab Emirates.
[b] Countries not included in the MSCI Emerging Markets Index.

Portfolio Report (continued)

Portfolio Investments by Fair Value
As at 31 March 2018

Holding	**Country**	**Sector**	**Trading[a]**	**Fair Value £'000**	**% of net assets**
Samsung Electronics	South Korea	Information Technology	IH	195,338	8.5
Naspers	South Africa	Consumer Discretionary	IH	137,027	6.0
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	NT	116,248	5.0
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	PS	114,375	5.0
Alibaba, ADR[b]	China/Hong Kong	Information Technology	IH	100,668	4.4
Tencent	China/Hong Kong	Information Technology	IS	74,897	3.3
Unilever[c]	United Kingdom	Consumer Staples	PS	74,584	3.2
Buenaventura, ADR[b]	Peru	Materials	NT	73,055	3.2
Itaú Unibanco, ADR[b]	Brazil	Financials	IS	53,397	2.4

ICICI Bank	India	Financials	IH	52,006	2.3
TOP 10 LARGEST INVESTMENTS				**991,595**	**43.3**
LUKOIL, ADR[b]	Russia	Energy	NT	48,767	2.1
Astra International	Indonesia	Consumer Discretionary	NT	47,167	2.0
Banco Bradesco, ADR[b][d]	Brazil	Financials	IS	46,867	2.0
Sberbank Of Russia, ADR[b]	Russia	Financials	IH	44,302	2.0
Hon Hai Precision Industry	Taiwan	Information Technology	IS	44,242	1.9
Bank Danamon Indonesia	Indonesia	Financials	PS	36,500	1.6
Banco Santander Mexico, ADR[b][e]	Mexico	Financials	IH	34,327	1.5
Mail.Ru, GDR[f]	Russia	Information Technology	NT	34,321	1.5
Yandex	Russia	Information Technology	NT	32,084	1.4
Gazprom, ADR[b]	Russia	Energy	NT	31,253	1.4
TOP 20 LARGEST INVESTMENTS				**1,391,425**	**60.7**

(a) Trading activity during the year: (NH) New Holding, (IH) Increased Holding, (PS) Partial Sale, (IS) Increased Holding and Partial Sale and (NT) No Trading.
(b) US listed American Depositary Receipt.
(c) This company, listed on a stock exchange in a developed market, has significant exposure to operations from emerging markets.
(d) Preferred Shares.
(e) Previously known as Grupo Financiero Santander Mexico, B, ADR. Name changed due to an acquisition on 29 January 2018.
(f) UK listed Global Depositary Receipt.

Holding	**Country**	**Sector**	**Trading[a]**	**Fair Value £'000**	**% of net assets**
Kasikornbank	Thailand	Financials	NT	29,254	1.3
CNOOC	China/Hong Kong	Energy	IH	28,551	1.2
Ping An Insurance Group	China/Hong Kong	Financials	IS	28,540	1.2
China Petroleum and Chemical	China/Hong Kong	Energy	NT	28,030	1.2
POSCO	South Korea	Materials	NH	27,531	1.2
Hyundai Development	South Korea	Industrials	IS	27,098	1.2
China Mobile	China/Hong Kong	Telecommunication Services	NH	26,425	1.1
BM&F Bovespa	Brazil	Financials	IH	26,235	1.1
MCB Bank	Pakistan	Financials	PS	26,058	1.1
Kiatnakin Bank	Thailand	Financials	PS	25,718	1.1
TOP 30 LARGEST INVESTMENTS				**1,664,865**	**72.4**
Ping An Bank	China/Hong Kong	Financials	NH	23,574	1.0
Lojas Americanas	Brazil	Consumer Discretionary	IH	23,469	1.0
Massmart	South Africa	Consumer Staples	PS	22,932	1.0
Catcher Technology	Taiwan	Information Technology	NT	22,378	1.0
NetEase, ADR[b]	China/Hong Kong	Information Technology	NT	21,402	0.9
NagaCorp	Cambodia	Consumer Discretionary	NT	21,216	0.9
Daelim Industrial	South Korea	Industrials	PS	20,996	0.9
IMAX[c]	United States	Consumer Discretionary	IH	20,477	0.9
Gedeon Richter	Hungary	Health Care	NT	20,238	0.9
NAVER	South Korea	Information Technology	NH	19,383	0.8
TOP 40 LARGEST INVESTMENTS				**1,880,930**	**81.7**

(a) Trading activity during the year: (NH) New Holding, (IH) Increased Holding, (PS) Partial Sale, (IS) Increased Holding and Partial Sale and (NT) No Trading.
(b) US listed American Depositary Receipt.

(c) This company, listed on a stock exchange in a developed market, has significant exposure to operations from emerging markets.

Holding	Country	Sector	Trading[(a)]	Fair Value £'000	% of net assets
Largan Precision	Taiwan	Information Technology	NT	17,945	0.8
Cia.Hering	Brazil	Consumer Discretionary	PS	17,881	0.8
Thai Beverages	Thailand	Consumer Staples	PS	17,331	0.8
Hanon Systems	South Korea	Consumer Discretionary	PS	16,200	0.7
KCB Group	Kenya	Financials	PS	16,024	0.7
Siam Commercial Bank	Thailand	Financials	NT	15,508	0.7
Uni-President China	China/Hong Kong	Consumer Staples	PS	15,372	0.7
Norilsk Nickel, ADR[(b)]	Russia	Materials	NT	14,740	0.6
Land and Houses	Thailand	Real Estate	NT	14,080	0.6
MGM China	China/Hong Kong	Consumer Discretionary	NT	13,509	0.6
TOP 50 LARGEST INVESTMENTS				**2,039,520**	**88.7**
Glenmark Pharmaceuticals	India	Health Care	IH	13,292	0.6
Equity Group	Kenya	Financials	PS	13,318	0.6
TOTVS	Brazil	Information Technology	PS	13,283	0.6
Baidu, ADR[(b)]	China/Hong Kong	Information Technology	PS	13,019	0.6
SK Innovation	South Korea	Energy	NT	12,920	0.6
Infosys Technologies	India	Information Technology	PS	12,605	0.5
PTT Exploration and Production	Thailand	Energy	NT	12,192	0.5
LG	South Korea	Industrials	NH	12,039	0.5
Moneta Money Bank	Czech Republic	Financials	IH	11,859	0.5
M. Dias Branco	Brazil	Consumer Staples	NT	11,586	0.5
TOP 60 LARGEST INVESTMENTS				**2,165,633**	**94.2**

(a) Trading activity during the year: (NH) New Holding, (IH) Increased Holding, (PS) Partial Sale, (IS) Increased Holding and Partial Sale and (NT) No Trading.

(b) US listed American Depositary Receipt.

Holding	Country	Sector	Trading[(a)]	Fair Value £'000	% of net assets
SABIC, Participatory Note	Saudi Arabia	Materials	PS	10,643	0.5
Tata Chemicals	India	Materials	PS	10,176	0.4
PChome Online	Taiwan	Information Technology	NH	9,301	0.4
Pegatron	Taiwan	Information Technology	PS	8,880	0.4
East African Breweries	Kenya	Consumer Staples	IH	8,732	0.4
Nemak	Mexico	Consumer Discretionary	IH	8,347	0.4
Bajaj Holdings & Investments	India	Financials	IH	7,940	0.3
TMK, GDR[(f)]	Russia	Energy	IH	7,673	0.3
Intercorp Financial Services	Peru	Financials	NH	7,359	0.3
Hite Jinro	South Korea	Consumer Staples	NT	7,292	0.3
TOP 70 LARGEST INVESTMENTS				**2,251,976**	**97.9**
B2W Digital	Brazil	Consumer Discretionary	NH	6,905	0.3
Dairy Farm	China/Hong Kong	Consumer Staples	NT	6,790	0.3
BDO Unibank	Philippines	Financials	NT	6,570	0.3
Tata Motors	India	Consumer Discretionary	NT	6,511	0.3
Coal India	India	Energy	PS	6,516	0.3
Wiz Soluções e Corretagem	Brazil	Financials	NT	6,386	0.3
FIT Hon Teng	Taiwan	Information Technology	NH	6,279	0.3

Primax Electronics	Taiwan	Information Technology	NH	6,100	0.3
MAHLE Metal Leve	Brazil	Consumer Discretionary	NT	5,552	0.2
Youngone	South Korea	Consumer Discretionary	NT	5,425	0.2
TOP 80 LARGEST INVESTMENTS				**2,315,010**	**100.7**

(a) Trading activity during the year: (NH) New Holding, (IH) Increased Holding, (PS) Partial Sale, (IS) Increased Holding and Partial Sale and (NT) No Trading.
(f) UK listed Global Depositary Receipt.**Portfolio Report (continued)**

Holding	**Country**	**Sector**	**Trading[(a)]**	**Fair Value £'000**	**% of net assets**
Security Bank	Philippines	Financials	IH	5,249	0.2
Crédit Real	Mexico	Financials	NH	5,220	0.2
COSCO Pacific	China/Hong Kong	Industrials	NT	5,003	0.2
Reliance Industries	India	Energy	PS	4,881	0.2
Perusahaan Gas Negara Persero	Indonesia	Utilities	PS	4,769	0.2
KT Skylife	South Korea	Consumer Discretionary	NT	4,600	0.2
BBVA Banco Francés, ADR[(b)]	Argentina	Financials	NH	4,455	0.2
Biocon	India	Health Care	NT	3,560	0.2
Inner Mongolia Yitai Coal	China/Hong Kong	Energy	PS	3,529	0.2
Interpark	South Korea	Consumer Discretionary	NT	2,658	0.1
TOP 90 LARGEST INVESTMENTS				**2,358,934**	**102.6**
Weifu High-Technology	China/Hong Kong	Consumer Discretionary	NT	2,655	0.1
Industrias Peñoles	Mexico	Materials	NT	2,519	0.1
United Bank	Pakistan	Financials	NT	2,491	0.1
Univanich Palm Oil	Thailand	Consumer Staples	PS	1,698	0.1
iMarketKorea	South Korea	Industrials	PS	1,628	0.1
Nigerian Breweries	Nigeria	Consumer Staples	NT	421	0.0
TOTAL INVESTMENTS				**2,370,346**	**103.1**
OTHER NET LIABILITIES				**(69,534)**	**(3.1)**
TOTAL NET ASSETS				**2,300,812**	**100.0**

(a) Trading activity during the year: (NH) New Holding, (IH) Increased Holding, (PS) Partial Sale, (IS) Increased Holding and Partial Sale and (NT) No Trading.
(b) US listed American Depositary Receipt.

Portfolio Summary

As at 31 March 2018
All figures are in %

	Consumer Discretionary	**Consumer Staples**	**Energy**	**Financials**	**Health Care**	**Industrials**	**Information Technology**	**Materials**	**Real Estate**	**Telecommunication Services**	**Utilities**	**Total Equities**	**Other Net Liabilities[(a)]**	**2018 Total**	**2017 Total**
Argentina	–	–	–	0.2	–	–	–	–	–	–	–	**0.2**	–	0.2	0.2
Brazil	2.3	0.5	–	5.8	–	–	0.6	–	–	–	–	**9.2**	–	9.2	8.1
Cambodia	0.9	–	–	–	–	–	–	–	–	–	–	**0.9**	–	0.9	0.6
China/Hong Kong	5.7	1.0	2.6	2.2	–	0.2	9.2	–	–	1.1	–	**22.0**	–	22.0	21.9
Czech Republic	–	–	–	0.5	–	–	–	–	–	–	–	**0.5**	–	0.5	0.4
Hungary	–	–	–	–	0.9	–	–	–	–	–	–	**0.9**	–	0.9	1.2
India	0.3	–	0.5	2.6	0.8	–	0.5	0.4	–	–	–	**5.1**	–	5.1	6.1
Indonesia	2.0	–	–	1.6	–	–	–	–	–	–	0.2	**3.8**	–	3.8	5.3
Kenya	–	0.4	–	1.3	–	–	–	–	–	–	–	**1.7**	–	1.7	1.2
Mexico	0.4	–	–	1.7	–	–	–	0.1	–	–	–	**2.2**	–	2.2	2.5
Nigeria	–	0.0	–	–	–	–	–	–	–	–	–	**0.0**	–	0.0	0.0
Pakistan	–	–	–	1.2	–	–	–	–	–	–	–	**1.2**	–	1.2	2.4
Peru	–	–	–	0.3	–	–	–	3.2	–	–	–	**3.5**	–	3.5	3.0
Philippines	–	–	–	0.5	–	–	–	–	–	–	–	**0.5**	–	0.5	0.5
Russia	–	–	3.8	2.0	–	–	2.9	0.6	–	–	–	**9.3**	–	9.3	7.8
Saudi Arabia	–	–	–	–	–	–	–	0.5	–	–	–	**0.5**	–	0.5	1.3
South Africa	6.0	1.0	–	–	–	–	–	–	–	–	–	**7.0**	–	7.0	5.4
South Korea	1.2	0.3	0.6	–	–	2.7	9.3	1.2	–	–	–	**15.3**	–	15.3	12.4
Taiwan	–	–	–	–	–	–	10.1	–	–	–	–	**10.1**	–	10.1	10.2
Thailand	–	0.9	0.5	3.1	–	–	–	–	0.6	–	–	**5.1**	–	5.1	5.7
United Kingdom	–	3.2	–	–	–	–	–	–	–	–	–	**3.2**	–	3.2	3.7
United States	0.9	–	–	–	–	–	–	–	–	–	–	**0.9**	–	0.9	0.9

Other Net Liabilities	–	–	–	–	–	–	–	–	–	–	–	–	(3.1)	(3.1)	(0.8)
31 March 2018 Total	**19.7**	**7.3**	**8.0**	**23.0**	**1.7**	**2.9**	**32.6**	**6.0**	**0.6**	**1.1**	**0.2**	**103.1**	**(3.1)**	**100.0**	**–**
31 March 2017 Total	**22.1**	**8.1**	**8.8**	**20.5**	**1.6**	**3.1**	**29.1**	**6.0**	**0.6**	**0.5**	**0.4**	**100.8**	**(0.8)**	**–**	**100.0**

Market Capitalisation Breakdown[b] (%)	**Less than £1.5 bn**	**£1.5 bn to £5 bn**	**Greater than £5 bn**	**Other Net Liabilities[a]**
31 March 2018	8.0	15.4	79.7	(3.1)
31 March 2017	9.3	18.9	72.6	(0.8)

Split Between Markets[c] (%)	**31 March 2018**	**31 March 2017**
Emerging Markets	96.2	92.4
Frontier Markets	2.8	3.8
Developed Markets[d]	4.1	4.6
Other Net Liabilities[a]	(3.1)	(0.8)

(a) Other Net Liabilities represent the Company's net current liabilities per the Balance Sheet on page 71 of the full annual report..

(b) A glossary of alternative performance measures is included on page 96 of the full annual report.

(c) Geographic split between "Emerging Markets", "Frontier Markets" and "Developed Markets" are as per MSCI index classifications.

(d) Developed markets exposure represented by companies listed in the United Kingdom and United States.

Source: FactSet Research System, Inc.

Market Outlook

We believe that prospects for emerging markets remain sound despite the recent increase in volatility. Emerging markets have historically bounced back from external shocks, and they displayed a healthy resilience amidst choppy trading in early 2018. We still see strong tailwinds underpinning emerging-market equities even as we are mindful of the challenges that may arise.

Importantly, emerging-market economies look poised for further growth. The International Monetary Fund is estimating 4.9% GDP growth for emerging markets in 2018, up from 4.7% in 2017[a]. Oil exporters were particularly bolstered by higher oil prices and we expect the upturn to continue, even if it may not be smooth. We are mindful of the fact that protectionist trade actions taken by the United States have cast a shadow over the synchronised global growth that has lifted stock markets. However, the long-term outcome of these political manoeuvres remains to be seen. The scope and strength of international trade flows should not be underestimated, as the growth in intra-Asia trade over the years shows, reducing the importance of the US and other developed markets to emerging markets.

We are upbeat about Asia and the investment opportunities present in markets from China to Indonesia. We believe that the outlook for China is stable as the leadership continues to strive for a balance between economic growth and structural reforms. The recent elimination of term limits on the Chinese presidency suggests that President Xi Jinping could seek to serve beyond the end of his second term in 2022. This development could be generally positive over the short to medium term as top leadership would remain stable and major government policies could be more consistent. But, structurally, this is a significant shift from the concept of "collective leadership" in the Chinese Communist Party and could raise the risk of policy errors in the absence of checks and balances. This is an area that we will closely monitor over the longer term.

Similarly, we see investment opportunities in countries like Brazil and South Africa, where reform momentum is encouraging. Brazil continues to face some challenges, including high unemployment and uncertainty ahead of a presidential election in October 2018. However, the country emerged from a prolonged recession in mid-2017 and we are largely confident in the prospects for corporate earnings growth amidst an improving business climate.

Meanwhile, several trends bode well for emerging markets, such as technology. Emerging markets companies have embraced the use of technology and importantly have also become global innovators in many areas, ranging from e-commerce to mobile banking, robotics, autonomous vehicles and more. E-commerce, for example, continues to gain new customers and a greater share of wallets as companies come up with ways to improve shoppers' experiences. Amidst this progress, the IT sector has yielded many investment opportunities in internet-related firms, hardware makers, semiconductor companies and other enterprises, many of which are based in South Korea, Taiwan and China. We expect more opportunities to emerge as the digital revolution continues.

Rising wealth in emerging markets is another secular driver. We expect demand for basic goods and services to continue growing as household incomes head higher, and this could benefit companies ranging from consumer

(a) Source: International Monetary Fund, World Economic Outlook Update, January 2018. © 2018 International Monetary Fund. All Rights Reserved.

goods manufacturers to food retailers. And as consumers meet their basic needs, aspirational wants are likely to follow. This "premiumisation" trend could boost demand for higher-end items such as luxury cars or services such as entertainment and wealth management. We also find emerging markets equities attractive as we expect earnings to improve further, while valuations remain at a discount to those in developed markets. Sustained earnings growth should prompt valuations to return to a more normal level.

As value-oriented, bottom-up and long-term investors, we continue to seek companies that demonstrate sustainable earnings power, trade at a discount relative to their potential and alternative investments available in the market, and provide exposure to our major investment themes. With our rigorous research and investment processes, we believe that TEMIT is in a good position to weather any periods of volatility and benefit from the continued dynamism of emerging markets.

Chetan Sehgal
Lead Portfolio Manager
5 June 2018

Financial Statements

Income Statement
For the Year Ended 31 March 2018

	Note	Year ended 31 March 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2017 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments and foreign exchange							
Gains on investments at fair value	6	–	213,924	213,924	–	682,120	682,120
Gains/(losses) on foreign exchange		–	10,220	10,220	–	(1,357)	(1,357)
Revenue							
Dividends	1	60,319	–	60,319	46,071	–	46,071
Bank and deposit interest	1	168	–	168	49	–	49
		60,487	**224,144**	**284,631**	**46,120**	**680,763**	**726,883**
Expenses							
AIFM fee	2	(7,049)	(16,449)	(23,498)	(20,735)	–	(20,735)
Other expenses	3	(2,087)	–	(2,087)	(1,857)	–	(1,857)
		(9,136)	**(16,449)**	**(25,585)**	**(22,592)**	**–**	**(22,592)**
Profit before finance costs and taxation		**51,351**	**207,695**	**259,046**	**23,528**	**680,763**	**704,291**
Finance costs		(1,161)	(2,703)	(3,864)	(418)	–	(418)
Profit before taxation		**50,190**	**204,992**	**255,182**	**23,110**	**680,763**	**703,873**
Tax expense	4	(6,047)	(770)	(6,817)	(4,084)	(377)	(4,461)
Profit for the year		**44,143**	**204,222**	**248,365**	**19,026**	**680,386**	**699,412**
Profit attributable to equity holders of the Company		**44,143**	**204,222**	**248,365**	**19,026**	**680,386**	**699,412**
Earnings per share	5	**15.90p**	**73.56p**	**89.46p**	**6.59p**	**235.71p**	**242.30p**
Ongoing charges ratio[a]				**1.12%**			**1.20%**

[a] A glossary of alternative performance measures is included on page 96 of the full annual report.

Under the Company's Articles of Association the capital element of return is not distributable.

The total column of this statement represents the profit and loss account of the Company.

The accompanying notes on pages 78 to 88 of the full annual report are an integral part of the Financial Statements.

Balance Sheet
As at 31 March 2018

	Note	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Non-current assets			
Investments at fair value through profit or loss	6	**2,370,346**	**2,165,950**
Current assets			
Trade and other receivables	7	9,002	6,390
Cash and cash equivalents		67,843	65,265
Total assets		**76,845**	**71,655**
Current liabilities			
Bank loans	8	(144,690)	(83,732)
Trade and other payables	9	(762)	(5,286)
Capital gains tax provision	4	(927)	(490)
Total liabilities		**(146,379)**	**(89,508)**
Net current liabilities		**(69,534)**	**(17,853)**
Total assets less current liabilities		**2,300,812**	**2,148,097**
Share capital and reserves			
Equity Share Capital	10	69,480	70,406
Capital Redemption Reserve		13,189	12,263
Capital Reserve		1,667,608	1,535,899
Special Distributable Reserve		433,546	433,546
Revenue Reserve		116,989	95,983
Equity Shareholders' Funds		**2,300,812**	**2,148,097**
Net Asset Value pence per share[a]		846.0	762.8

[a] Based on shares in issue excluding shares held in treasury.

These Financial Statements of Templeton Emerging Markets Investment Trust PLC were approved for issue by the Board and signed on 5 June 2018.

Paul Manduca
Chairman

Simon Jeffreys
Director

Statement of Changes in Equity
For the Year Ended 31 March 2018

	Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 31 March 2016	**74,505**	**8,164**	**944,961**	**433,546**	**101,089**	**1,562,265**
Profit for the year	–	–	680,386	–	19,026	699,412
Equity dividends	–	–	–	–	(24,132)	(24,132)
Purchase and cancellation of own shares	(4,099)	4,099	(89,448)	–	–	(89,448)
Balance at 31 March 2017	**70,406**	**12,263**	**1,535,899**	**433,546**	**95,983**	**2,148,097**
Profit for the year	–	–	204,222	–	44,143	248,365
Equity dividends	–	–	–	–	(23,137)	(23,137)
Purchase and cancellation of own shares	(926)	926	(26,198)	–	–	(26,198)
Purchase of shares into treasury	–	–	(46,315)	–	–	(46,315)
Balance at 31 March 2018	**69,480**	**13,189**	**1,667,608**	**433,546**	**116,989**	**2,300,812**

Cash Flow Statement
For the Year Ended 31 March 2018

	For the year to 31 March 2018 £000	For the year to 31 March 2017 £000
Cash flows from operating activities		
Profit before finance costs and taxation	259,046	704,291
Adjustments for:		
Gains on investments at fair value	(213,924)	(682,120)
Realised (gains)/losses on foreign exchange	(10,220)	1,357
Stock dividends received in year	(157)	(1,108)
Increase in debtors	(2,737)	(785)
(Decrease)/increase in creditors	(2,017)	528
Cash generated from operations	**29,991**	**22,163**
Tax paid	(6,380)	(4,296)
Net cash inflow from operating activities	**23,611**	**17,867**
Cash flows from investing activities		
Purchases of non-current financial assets	(381,286)	(556,380)
Sales of non-current financial assets	398,826	556,971
Net cash inflow from investing activities	**17,540**	**591**
Cash flows from financing activities		
Purchase and cancellation of own shares	(26,644)	(89,734)
Repurchase of shares into treasury	(45,886)	–
Equity dividends paid	(23,137)	(24,132)
Movement in bank loans outstanding	61,161	83,390
Bank loan interest and fees paid	(4,067)	(76)
Net cash outflow from financing activities	**(38,573)**	**(30,552)**
Net increase/(decrease) in cash	**2,578**	**(12,094)**
Cash at the start of the year	65,265	77,359
Cash at the end of the year	**67,843**	**65,265**

Reconciliation of liabilities arising from financing activities

			Non-cash movements		
	Liability as at 31 March 2017 £000	Cash flows £000	FX movement £000	Profit & Loss £000	Liability as at 31 March 2018 £000
Bank loan	83,390	72,049	(10,888)	–	144,551
Interest and fees	342	(4,072)	5	3,864	139
Total liabilities from financing activities	**83,732**	**67,977**	**(10,883)**	**3,864**	**144,690**

Accounting Policies

(a) Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and, where appropriate, International Accounting Standards ("IAS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards and Standing Interpretations Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in February 2018.

At last year's AGM, shareholders gave permission for the Company to transfer shares which are bought back into treasury. The costs of repurchasing shares into treasury, including related costs, are charged to the Capital Reserve. If treasury shares are subsequently cancelled, the nominal value is transferred out of Equity Share Capital and into the Capital Redemption Reserve.

Adoption of new and revised Accounting Standards

The following amendments and new IFRSs were adopted for the year ended 31 March 2018:

- IAS 7: Disclosure Initiative Statement of Cash Flows;
- IAS 12: Accounting for Uncertainties in Income Taxes; and
- IFRS 16: Leases.

IAS 7 has introduced a new financing activities reconciliation within the Cash Flow Statement on page 73. IAS 12 and IFRS 16 have not had an effect on the measurement or disclosure of amounts recognised within the Financial Statements of the Company.

At the date of authorisation of these Financial Statements, the following standards and interpretations which have not been applied in these Financial Statements were in issue but not yet applicable (and in some cases had not yet been adopted by the EU):

International Accounting Standards	**Effective date for accounting periods beginning on or after**
IFRS 9: Financial Instruments – Classification and Measurement (revised)	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018
Annual Improvement Cycle 2015-2017	1 January 2019

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the Financial Statements of the Company in future periods.

The Financial Statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments. The principal accounting policies adopted are set out below.

At 31 March 2018, the Company had net current liabilities of £69,534,000 (31 March 2017: £17,853,000). The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Therefore a going concern basis has been adopted in preparing the Company's Financial Statements. The Going Concern statement is set out on page 52.

All financial assets and financial liabilities are recognised (or de-recognised) on the date of the transaction by the use of "trade date accounting".

As the Company is a UK investment trust, whose share capital is issued in the UK and denominated in sterling, the Directors consider that the functional currency of the Company is sterling.

There have been no significant judgements, estimates or assumptions for the year.

(b) Presentation of income statement

In order to reflect better the activities of an investment trust 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 presented within the income statement. In accordance with the Company's Articles of Association, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure which the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

(c) Revenue

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends are recognised on their due date. Provision is made for any dividends not expected to be received.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised in the income section 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 section of the Income Statement.

Special dividends receivable are treated as repayment of capital or as income depending on the facts of each particular case. Interest receivable on bank deposits is recognised on an accruals basis.

(d) Expenses

Transaction costs arising on the purchase of investments are included in the capital section of the Income Statement. All other operating expenses are accounted for on an accruals basis and are charged through the revenue and capital sections of the Income Statement according to the Directors' expectation of future returns except as follows:

- Expenses relating to the disposal of an investment are deducted from the sale proceeds and thus treated as capital. Details of transaction costs on purchases and sales of investments are disclosed in Note 6; and

- Expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. With effect from 1 April 2017, 70% of the annual AIFM fee has been allocated to the capital account.

(e) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method in the Income Statement. Finance costs are charged through the revenue and capital sections of the Income Statement according to the Directors expectations of future returns. With effect from 1 April 2017, 70% of the finance costs have been allocated to the capital account.

(f) Taxation

The tax expense represents the sum of current and deferred tax.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or rights to pay less tax in the future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

Due to the Company's status as an investment trust company, and its intention to continue to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of The Investment Trust (Approved Company) (Tax) Regulations 2011, the Company has not provided deferred tax in respect of UK corporation tax on any capital gains and losses arising on the revaluation or disposal of investments. Where appropriate, the Company provides for deferred tax in respect of overseas taxes on any capital gains arising on the revaluation or disposal of investments.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(g) Investments held at fair value through profit or loss

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets 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 internally on that basis to the Company's Directors and other key management personnel. Accordingly, upon initial recognition, all of the Company's non-current asset investments are designated as being "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost excluding expenses incidental to the acquisition.

Subsequently, the investments are valued at "fair value", which is measured as follows:

The fair value of financial instruments at the Balance Sheet date is, ordinarily, based on the latest quoted bid price at, or before, the

US market close (without deduction for any of the estimated future selling costs), if the instrument is held in active markets. This represents a Level 1 classification under s48A of IAS 39.

In limited circumstances where the Company deems it appropriate (e.g. where significant events have occurred at the Balance Sheet date between the latest quoted bid price in markets which close before the US, and the US market close, resulting in a valuation which is not deemed to be active), the close of market bid price for relevant securities may be adjusted using valuation techniques to calculate a fair value, thus representing a Level 2 type classification. Note 13 provides further details on the classification of assets as at the Balance Sheet date.

Gains and losses arising from changes in fair value are included in the net profit or loss for the period as a capital item in the Income Statement.

(h) Foreign currencies

Transactions involving foreign currencies are translated to sterling (the Company's functional currency) at the spot exchange rate ruling on the date of the transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange at the balance sheet date. Foreign currency gains and losses are included in the Income Statement and allocated as capital or income depending on the nature of the transaction giving rise to the gain or loss.

(i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

(j) Share capital and reserves

Equity Share Capital – represents the nominal value of the issued share capital.

Capital Redemption Reserve – represents the nominal value of shares repurchased and cancelled.

Capital Reserve – gains and losses on realisation of investments; changes in fair value of investments which are readily convertible to cash, without accepting adverse terms; realised exchange differences of a capital nature; changes in the fair value of investments that are not readily convertible to cash, without accepting adverse terms; and the amounts by which other assets and liabilities valued at fair value differ from their book value are within this reserve.

Special Distributable Reserve – reserve created upon the cancellation of the Share Premium Account and Capital Redemption Reserve.

Purchases of the Company's own shares are also funded from this reserve. The Company's Articles of Association preclude it from making any distribution of capital profits.

Revenue Reserve – represents net income earned that has not been distributed to shareholders.

Income recognised in the Income Statement is allocated to applicable reserves in the Statement of Changes in Equity.

Notes to the Financial Statements
For the Year Ended 31 March 2018

1 Revenue

	2018 £'000	2017 £'000
Revenue from investments		
Non EU dividends	56,168	42,819
UK dividends	2,443	1,928
Other EU dividends	1,562	216
Stock dividends	146	1,108
	60,319	**46,071**
Other revenue		
Bank and deposit interest	168	49
Total revenue	**60,487**	**46,120**

2 AIFM fees

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
AIFM fee	**7,049**	**16,449**	**23,498**	**20,735**	**–**	**20,735**

The Company has a contract with Franklin Templeton International Services S.à r.l. ("FTIS") as Alternative Investment Fund Manager ("AIFM").

The contract between the Company and FTIS, its Alternative Investment Fund Manager and provider of Secretarial and Administration Services, may be terminated at any date by either party giving one year's notice of termination.

The AIFM fee is paid monthly and based on the monthly trading total net assets of the Company. From 1 July 2017, the AIFM fee was reduced from 1.1% of net assets per annum to 1% of net assets up to £2 billion and 0.85% of net assets above that level.

With effect from 1 April 2017, 70% of the annual AIFM fee has been allocated to the capital account. For the year ended 31 March 2017, 100% of the annual AIFM fee was allocated to revenue.

3 Other expenses

	2018 £'000	2017 £'000
Custody fees	881	716
Directors' remuneration	262	290
Depositary fees	194	159
Shareholder communications and marketing	135	114
Membership fees	118	98
Printing and postage costs	81	57
Registrar fees	74	118
Auditors' remuneration		
Audit of the annual financial statements	32	31
Half Yearly financial report	5	5
Legal fees	33	22
Other expenses	272	247
Total other expenses	**2,087**	**1,857**

Fees in respect of services as Directors are paid by the Company only to those Directors who are independent of Franklin Templeton Investments. Included within these costs are Employer National Insurance contributions.

4 Tax on ordinary activities

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Overseas withholding tax	6,047	–	6,047	4,084	–	4,084
Overseas capital tax	–	333	333	–	213	213
Prior period adjustments	–	–	–	–	–	–

Total current tax	**6,047**	**333**	**6,380**	**4,084**	**213**	**4,297**
Deferred tax	–	437	437	–	164	164
Total tax	**6,047**	**770**	**6,817**	**4,084**	**377**	**4,461**

Taxation	**2018 £'000**	**2017 £'000**
Profit before taxation	255,182	703,873
Theoretical tax at UK corporation tax rate of 19% (2017: 20%)	48,484	140,775
Effects of:		
– Capital element of profit	(42,587)	(136,152)
– Irrecoverable overseas tax	6,047	4,084
– Excess management expenses	3,642	2,817
– Overseas Capital Gains Tax	333	213
– Income taxable in different periods	54	98
– Dividends not subject to corporation tax	(8,844)	(6,787)
– Movement in overseas capital gains tax liability	437	164
– UK dividends	(464)	(512)
– Overseas tax expensed	(285)	(239)
Actual tax charge	**6,817**	**4,461**

As at 31 March 2018 the Company had unutilised management expenses of £116.1 million carried forward (2017: £97.0 million). These balances have been generated because a large part of the Company's income is derived from dividends which are not taxed. Based on current UK tax law, the Company is not expected to generate taxable income in a future period in excess of deductible expenses for that period and, accordingly, is unlikely to be able to reduce future tax liabilities by offsetting these excess management expenses. These excess management expenses are therefore not recognised as a deferred tax asset.

Movement in provision for deferred tax	**2018 £'000**	**2017 £'000**
Balance brought forward	490	326
Charge for the year	437	164
Balance carried forward	**927**	**490**
Provision consists of:		
– Overseas capital gains tax liability	927	490

A provision for deferred capital gains tax has been recognised in relation to short-term unrealised gains on Indian holdings.

5 Earnings per share

	2018			**2017**		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Earnings	44,143	204,222	248,365	19,026	680,386	699,412

	2018			**2017**		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Earnings per share	15.90	73.56	89.46	6.59	235.71	242.30

The earnings per share is based on the profit attributable to equity holders and on the weighted average number of shares in issue during the year of 277,618,959 (year to 31 March 2017: 288,656,880).

6 Financial assets – investments

	2018 £'000	**2017 £'000**
Opening investments	**2,165,950**	**1,482,238**
Movements in year:		
Additions	378,953	558,641
Disposals	(388,481)	(557,049)
Realised profits	194,428	171,094
Net appreciation	19,496	511,026
Closing investments	**2,370,346**	**2,165,950**

All investments have been recognised at fair value through the Income Statement.

Transaction costs for the year on purchases were £923,000 (2017: £1,438,000) and transaction costs for the year on sales were £1,026,000 (2017: £1,318,000). The aggregate transaction costs for the year were £1,949,000 (2017: £2,756,000).

	2018 £'000	2017 £'000
Realised and unrealised gains on investments comprise:		
Realised gain based on carrying value at 31 March	194,428	171,094
Net movement in unrealised appreciation	19,496	511,026
Realised and unrealised gains on investments	**213,924**	**682,120**

7 Trade and other receivables

	2018 £'000	2017 £'000
Dividends receivable	6,916	5,328
Overseas tax recoverable	1,838	699
Sales awaiting settlement	227	352
Other debtors	21	11
	9,002	**6,390**

8 Bank loans

	2018 £'000	2017 £'000
Bank loan repayable	144,551	83,390
Interest and fees	139	342
	144,690	**83,732**

9 Trade and other payables

	2018 £'000	2017 £'000
Amounts owed for share buy backs	429	446
Accrued expenses	333	2,350
Purchase of investments for future settlement	–	2,490
	762	**5,286**

10 Equity Share Capital

	2018 Allotted, issued & fully paid		2017 Allotted, issued & fully paid	
	£'000	Number	£'000	Number
Shares of 25p each				
Opening balance	**70,406**	**281,623,986**	**74,505**	**298,019,690**
Purchase and cancellation of own shares	(926)	(3,705,033)	(4,099)	(16,395,704)
Purchase of shares into treasury	–	(5,956,611)	–	–
Closing balance	**69,480**	**271,962,342**	**70,406**	**281,623,986**

The Company's shares (except those held in treasury) have unrestricted voting rights at all general meetings, are entitled to all of the profits available for distribution by way of dividend, and are entitled to repayment of all of the Company's capital on winding up.

During the year, 3,705,033 shares were bought back for cancellation at a cost of £26,198,000 (2017: 16,395,704 shares were bought back for cancellation at a cost of £89,448,000). Additionally the Company bought back 5,956,611 shares and placed them in treasury for a total consideration of £46,315,000 (2017: no shares were bought back and placed in treasury).

11 Dividend

	2018 Rate (pence)	2018 £'000	2017 Rate (pence)	2017 £'000
Declared and paid in the year				
Dividend on shares:				
Final dividend for year	8.25	23,137	8.25	24,132

Proposed for approval at the Company's AGM		
Dividend on shares:		
Final dividend for the year ended 31 March 2018 (31 March 2017: 8.25p)	15.00	40,249

Dividends are recognised when the shareholders' right to receive the payment is established. In the case of the final dividend, this means that it is not recognised until approval is received by shareholders at the Annual General Meeting.

12 Related party transactions
The Directors consider that, under the classification of related party transactions outlined in the Association of Investment Companies SORP, issued November 2014 and updated in February 2018, Franklin Templeton entities are not classified as related parties under IAS 24 (as adopted by the EU).

Accordingly there were no transactions with related parties, other than the fees paid to the Directors during the year ended 31 March 2018, which have a material effect on the results or the financial position of the Company.

13 Risk management
In pursuing the Company objective, set out on page 8 of this Annual Report, the Company holds a number of financial instruments which are exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

The main risks arising from the Company's financial instruments are market risk (which comprises market price risk, foreign currency risk and interest rate risk), other price risk, liquidity risk and credit risk.

The objectives, policies and processes for managing these risks, and the methods used to measure the risk, are set out below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Investment and concentration risk

The Company may invest a greater portion of its assets than the benchmark in the securities of one issuer, securities domiciled in a particular country, or securities within one industry group than other types of fund investments. As a result, there is the potential for increased concentration of exposure to economic, business, political or other changes affecting similar issues or securities, which may result in greater fluctuation in the value of the portfolio.

Market price risk

Market risk arises mainly from uncertainties about future prices of financial instruments held. It represents the potential loss that the Company might suffer through holding market positions in the face of price movements.

The Directors meet quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objectives. The Investment Manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above, and seeks to ensure that individual stocks also meet the risk/ reward profile on an ongoing basis.

The Company does not use derivative instruments to hedge the investment portfolio against market price risk as, in the Investment Manager's opinion, the cost of such a process could result in an unacceptable level of cost and/or a reduction in the potential for capital growth.

100% (2017: 100%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% with all other variables remaining constant, the income statement capital return and the net assets attributable to equity shareholders would have decreased by £237,034,635 (2017: £216,595,020). The analysis for last year assumes a share price decrease of 10%.

A 10% increase (10% increase) in share prices would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

Foreign currency risk

Currency translation movements can significantly affect the income and capital value of the Company's investments, as the majority of the Company's assets and income are denominated in currencies other than sterling, which is the Company's functional currency.

The Investment Manager has identified three principal areas where foreign currency risk could affect the Company:

- Movements in rates affect the value of investments;
- Movements in rates affect short-term timing differences; and

- Movements in rates affect the income received.

The Company does not hedge the sterling value of investments that are priced in other currencies. The Company may be subject to short-term exposure to exchange rate movements, for instance where there is a difference between the date an investment purchase or sale is entered into and the date on which it is settled.

The Company receives income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Company converts all receipts of income into sterling on or near the date of receipt. However, it does not hedge or otherwise seek to avoid rate movement risk on income accrued but not received.

The fair value of the Company's monetary items that have foreign currency exposure at 31 March are shown below:

2018 **Currency**	**Trade, bank loans and other receivables £'000**	**Cash at bank £'000**	**Bank loans, trade and other payables £'000**	**Total net foreign currency exposure £'000**	**Investments at fair value through profit or loss £'000**
US dollar	317	–	(95,137)	(94,820)	609,128
Korean won	4,942	–	–	4,942	353,108
Hong Kong dollar	–	–	–	–	336,312
Taiwan dollar	1,454	–	–	1,454	225,094
South African rand	–	–	–	–	159,959
Other	2,268	(21)	(928)	1,319	612,161

2017 **Currency**	**Trade and other receivables £'000**	**Cash at bank £'000**	**Bank loans, trade and other payables £'000**	**Total net foreign currency exposure £'000**	**Investments at fair value through profit or loss £'000**
US dollar	178	58,525	(58,595)	108	507,618
Hong Kong dollar	–	–	–	–	342,975
Korean won	3,515	(31)	–	3,484	266,209
Taiwan dollar	693	96	–	789	219,596
Indian rupee	45	331	(490)	(114)	132,043
South African rand	–	–	–	–	116,070
Other	1,948	805	(27,561)	(24,808)	502,372

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Company's monetary financial assets and liabilities and its equity if sterling had strengthened by 10% relative to all currencies on the reporting date, with all other variables held constant, the revenue and capital return would have decreased by the below amounts.

	2018		**2017**	
Financial Assets and Liabilities	**Revenue £'000**	**Capital Return £'000**	**Revenue £'000**	**Capital Return £'000**
US dollar	1,526	60,913	1,034	50,762
Korean won	803	35,311	421	26,621
Hong Kong dollar	487	33,631	481	34,298
Taiwan dollar	825	22,509	616	21,960
South African rand	74	15,996	81	11,607
	3,715	**168,360**	**2,633**	**145,248**

A 10% weakening of sterling against the above currencies would have resulted in an equal and opposite effect on the above amounts.

Interest rate risk

The Company is permitted to invest in fixed rate securities. Any change to the interest rates relevant to particular securities may result in income either increasing or decreasing, or the Investment Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held and the interest payable on bank loans when interest rates are reset.

Interest rate risk profile

The exposure of the financial assets and liabilities to interest rate risks at 31 March is shown below:

	Within one year 2018 £'000	**Within one year 2017 £'000**
Bank loans	(144,690)	(83,732)
Cash	67,843	65,265
Net exposure at year end	(76,847)	(18,467)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company. Cash balances are held on call deposit and earn interest at the bank's daily rate. The Company's net assets are sensitive to changes in interest rates on borrowings. There was no exposure to fixed interest investment securities during the year or at the year end.

Interest rate sensitivity

If the above level of cash was maintained for a year, a 1.0% increase or decrease in interest rates would impact the net profit after taxation by the following amounts:

	2018		**2017**	
	1.0% increase in rate £'000	**1.0% decrease in rate £'000**	**1.0% increase in rate £'000**	**1.0% decrease in rate £'000**
Profit/(loss) for the year				
Revenue	244	(244)	185	(185)
Capital	(1,013)	1,013	–	–
Total	**(769)**	**769**	**185**	**(185)**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and amounts drawn down on the Company's loan facilities.

Liquidity risk

The Company's assets comprise mainly of securities listed on the stock exchanges of emerging economies. Liquidity can vary from market to market and some securities may take longer to sell. As a closed ended investment trust, liquidity risks attributable to the Company are less significant than for an open ended fund.

The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the large number of quoted investments held in the portfolio and the liquid nature of the portfolio of investments.

The Investment Manager reviews liquidity at the time of making each investment decision and monitors the evolving liquidity profile of the portfolio regularly.

Investments held by the Company are valued in accordance with the accounting policies at bid price. Other financial assets and liabilities of the Company are included in the Balance Sheet at fair value.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (in relation to sale or declared dividend) after the Company has fulfilled its responsibilities. The Company only buys and sells through brokers which have been approved by the Investment Manager as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time. These limits are reviewed regularly.

The amount of credit risk that the Company is exposed to is disclosed under the interest rate risk profile and represents the maximum credit risk at the Balance Sheet date.

The Company has an ongoing contract with its custodian (JPMorgan Chase Bank) for the provision of custody services.

As part of the annual risk and custody review, the Company reviewed the custody services provided by JPMorgan Chase Bank and concluded that, while there are inherent custody risks in investing in emerging markets, the custody network employed by TEMIT has appropriate controls in place to mitigate those risks, and that these controls are consistent with recommended industry practices and standards.

Securities held in custody are held in the Company's name or to its accounts. Details of holdings are received and reconciled monthly. Cash is actively managed by Franklin Templeton' s Trading Desk in Edinburgh and is typically invested in overnight time deposits in the name of TEMIT with an approved list of counterparties. Any excess cash not invested by the Trading Desk will remain in a JPMorgan Chase interest bearing account. There is no significant risk on debtors and accrued income or tax at the year end.

Fair Value

Fair values are derived as follows:

- Where assets are denominated in a foreign currency, they are converted into the sterling amount using year-end rates of exchange;
- Non-current financial assets – on the basis set out in the accounting policies; and
- Cash – at the face value of the account.

The tables below analyse financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation hierarchy fair value through profit and loss

	31 March 2018				31 March 2017			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Listed investments	2,370,346	–	–	2,370,346	2,165,950	–	–	2,165,950

14 Significant holdings in investee undertakings

As at 31 March 2018 and 2017, TEMIT held 3% or more of the issued class of capital in the following holdings in the portfolio:

	31 March 2018		**31 March 2017**	
Holding	**Issued class of capital held by TEMIT %**	**Fair Value £'000**	**Issued class of capital held by TEMIT %**	**Fair Value £'000**
SABIC, Participatory Note[(a)]	12.1	10,643	–	–
SABIC, Participatory Note[(b)]	–	–	6.4	26,491
Cia.Hering	2.5	17,881	3.2	23,454

(a) Holding has a maturity date of 19 January 2021.
(b) Holding matured on 22 January 2018 and was rolled forward into (a).

15 Contingent liabilities
No contingent liabilities existed as at 31 March 2018 or 31 March 2017.

16 Financial commitments
There were no financial commitments as at 31 March 2018 or 31 March 2017.

17 Post balance sheet events
The only material post balance sheet event is in respect of the proposed dividend, which has been disclosed in Note 11.

This preliminary statement was approved by the Board on 5 June 2018. The financial information set out above does not constitute the Company's Audited statutory accounts. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs on its website.

The statutory accounts for the financial period ended 31st March 2017 have been delivered to the Registrar of Companies, received an audit report which was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) and (3) of the Companies Act 2006.

The statutory accounts for the period ended 31 March 2018 received an audit report which was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) and (3) of the Companies Act 2006, and will be delivered to the Registrar of Companies.

The Annual Report and Accounts will be sent to Shareholders shortly. Copies will be uploaded and available for viewing on the National Storage Mechanism, copies will also be posted to the website www.temit.co.uk and may also be requested during normal business hours from Client Dealer Services at Franklin Templeton Investment Management Limited on freephone 0800 305 306.

Stephen Westwood (Investor Relations) +44 (0) 7533 178 381 or Joe Winkley at Winterflood (Corporate Broker) on + 44 (0) 20 3100 0301.