

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

Company Overview

Launched thirty years ago in 1989, Templeton Emerging Markets Investment Trust PLC (“TEMIT” or the “Company”) is an investment trust that invests principally in emerging markets companies with the aim of delivering capital growth to shareholders over the long term. While the majority of the Company’s shareholders are based in the UK, shares are quoted on both the London and New Zealand Stock Exchanges.

The Company is governed by a Board of Directors who are committed to ensuring that shareholders’ best interests are at the forefront of all decisions. Under the guidance of the Chairman, the Board of Directors is responsible for the overall strategy of the Company and monitoring its performance. Only one member of the Board has a connection with Franklin Templeton, with all others being independent.

TEMIT’s research-driven investment approach and strong long-term performance has helped it to grow to be the largest emerging markets investment trust in the UK, with assets of £2.1 billion as at 31 March 2019.

Since launch to 31 March 2019, TEMIT’s net asset value total return was +3,349.4% compared to the benchmark total return of +1,605.0%.

TEMIT at a glance

For the year to 31 March 2019

Net asset value total return (cum-income) 2019^(a)

1.8%

(2018: 12.4%)

MSCI Emerging Markets Index total return 2019^{(a)(b)}

0.1%

(2018: 11.8%)

Share price total return 2019^(a)

6.0%

(2018: 13.7%)

Proposed total annual dividend 2019^(c)

16.00p

(2018: 15.00p)

Cumulative Total Return to 31 March 2019 (%)

^(a) A glossary of alternative performance measures is included on page 98 of the full annual report.

^(b) Source: MSCI. The Company’s benchmark is the MSCI Emerging Markets Index, with net dividends reinvested.

^(c) An annual dividend of 16.00 pence per share for the year ended 31 March 2019 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 16 January 2019 and a final dividend of 11.00 pence per share.

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2019, which incorporates the Chairman's Statement, and 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 in one place key information about the Company's strategy, the risks it faces, how it is performing and the outlook.

Financial Summary

2018–2019

	Notes	Year ended 31 March 2019	Year ended 31 March 2018	Capital return ^(a) %	Total return ^(a) %
Total net assets (£ million)		2,118.2	2,300.8		
Total net asset value (pence per share)		842.5	846.0	(0.6)	1.8
Highest net asset value (pence per share)		868.9	918.2		
Lowest net asset value (pence per share)		740.0	743.6		
Share price (pence per share)		766.0	743.0	3.0	6.0
Highest end of day share price (pence per share)		769.0	825.0		
Lowest end of day share price (pence per share)		649.0	643.0		
MSCI Emerging Markets Index				(2.7)	0.1
Share price discount to net asset value	(a)	9.1%	12.2%		
Average share price discount to net asset value over the year		12.0%	12.3%		
Dividend (pence per share)	(b)	16.00	15.00		
Revenue earnings (pence per share)	(c)	17.26	15.90		
Capital earnings (pence per share)	(c)	(10.48)	73.56		
Total earnings (pence per share)	(c)	6.78	89.46		
Net gearing	(a)	2.4%	3.3%		
Ongoing charges ratio	(a)	1.02%	1.12%		

Source: Franklin Templeton and FactSet.

^(a) A glossary of alternative performance measures is included on page 98 of the full annual report.

^(b) An annual dividend of 16.00 pence per share for the year ended 31 March 2019 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 16 January 2019 and a final dividend of 11.00 pence per share.

^(c) The revenue, capital and total earnings per share figures are shown in the Statement of Comprehensive Income on page 72 of the full annual report and Note 6 of the Notes to the Financial Statements.

Ten Year Record

2009–2019

Year ended	Total Net Assets (£m)	NAV (pence per share)	Share Price (pence per share)	Year-end Discount (%)	Revenue earnings per share (pence)	Annual Dividend per share (pence)	Ongoing Charges Ratio ^(a) (%)
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	1.12
31 Mar 2019	2,118.2	842.5	766.0	9.1	17.26	16.00 ^(e)	1.02

Ten Year Growth Record (rebased to 100.0 at 30 April 2009)

2009–2019

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	Dividend per share
30 Apr 2009 ^(b)	100.0	100.0	100.0	100.0	100.0	100.0	100.0 ^(c)
31 Mar 2010 ^(d)	169.6	172.8	169.5	172.4	152.0	37.5	100.0
31 Mar 2011	196.3	201.0	193.8	198.5	170.9	79.8	113.3
31 Mar 2012	174.0	179.2	172.8	178.2	156.8	102.9	153.3
31 Mar 2013	192.0	199.2	188.1	196.1	168.8	109.9	166.7
31 Mar 2014	161.8	170.1	154.8	163.2	152.1	118.9	193.3
31 Mar 2015	175.3	186.5	163.3	174.4	172.2	120.7	220.0
31 Mar 2016	143.3	154.6	133.3	144.7	157.0	91.7	220.0
31 Mar 2017	208.6	228.5	194.3	214.7	212.4	85.7	220.0
31 Mar 2018	231.1	256.8	218.2	244.1	237.3	203.6	400.0
31 Mar 2019	230.4	261.3	225.0	258.8	237.5	224.4	426.7

Source: Franklin Templeton and FactSet.

- (a) A glossary of alternative performance measures is included on page 98 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) An annual dividend of 16.00 pence per share for the year ended 31 March 2019 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 16 January 2019 and a final dividend of 11.00 pence per share.

2009–2019 NAV, share price and benchmark total return^(a)

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 2009 at 31 March 2019. The Ten-Year Growth Record performance on page 3 of the management report in the full annual report differs as it was rebased from the financial year end at 30 April 2009.
- (b) Rebased to 100 at 31 March 2009.
- (c) Periods are TEMIT reporting periods to 31 March.

Chairman's Statement

Market Overview and Investment Performance

Over the financial year, the Company's Net Asset Value Total Return was 1.8%, which was ahead of a virtually unchanged benchmark return. These numbers do not, however, tell the full story of a challenging year, with markets reaching low points in October 2018 and again over the Christmas period. In the context of such difficult markets, it is encouraging to see that the Investment Manager achieved both a positive return and a return somewhat better than the benchmark MSCI Emerging Markets Index over the financial year. Share price total return performance was considerably better as the discount narrowed over the period.

As described further below, the Company is required to hold a continuation vote every five years and will do so at this year's Annual General Meeting ("AGM"). While this annual report focuses on the year under review, it is interesting to look at performance over longer periods, as set out in the table below.

	1 Year To 31 Mar 19	3 Years To 31 Mar 19	5 Years To 31 Mar 19	10 Years To 31 Mar 19	Launch To 31 Mar 19
NAV Total Return ^(a) (%)	+1.8	+69.0	+53.6	+203.6	+3,349.4
Share Price Total Return ^(a) (%)	+6.0	+78.8	+58.6	+200.7	+3,095.8
Benchmark Total Return ^(a) (%)	+0.1	+51.2	+56.1	+168.0	+1,605.0

Over the five-year period since the last continuation vote, both the net asset value and share price total returns were broadly in line with the benchmark index. Again, this set of statistics does not tell the full story. In the early part of the five-year period exposure in particular to natural resources and some banks was detrimental. A recovery since the fourth quarter of 2015 has been the result of a more diversified portfolio focused on investing in growing companies at reasonable valuations, particularly those benefitting from the effects of rapidly developing technology and the growing power of the consumer in emerging economies.

Revenue, Earnings and Dividend

The company paid its first ever interim dividend in January 2019 of 5.00 pence per share.

Revenue earnings per share were 17.26 pence, compared with 15.90 pence last year. The Board recommends a final dividend of 11.00 pence per share which, combined with the interim dividend, will result in a total dividend for the year of 16.00 pence, compared with 15.00 pence for the last financial year.

The Board recognises that dividends are appreciated by many shareholders and this was the reason that we decided to pay two dividends per year. However, shareholders should remain aware that the Investment Manager's primary focus is on generating capital returns and we do not target a particular level of income.

The Investment Manager

As reported at the half year, Andrew Ness joined Franklin Templeton on 17 September 2018. Andrew Ness brings a wealth of investment experience, and the Board believes that his appointment as a portfolio manager, together with lead portfolio manager Chetan Sehgal's strong leadership, will further strengthen the team's investment resources and capabilities and thus position the Company well for the future.

^(a) A glossary of alternative performance measures is included on page 98 of the full annual report.

Franklin Templeton has a large team analysing companies and managing investments in emerging markets. The Board believes that the breadth and depth of Franklin Templeton's in-house resources will be important in a period when there is significant cost pressure on the provision of investment research by third parties.

Asset Allocation and Borrowing

The Investment Manager continued to deploy gearing in a cautious manner over the year under review. As at 31 March 2019, the current bank debt facility was partly drawn down and the level of gearing (net of cash in the portfolio) was 2.4%. If no cash had been held in the portfolio, based on the net asset value as at close of business on 31 March 2019, gearing would have been 5.9%.

The Discount

During the year to 31 March 2019, TEMIT's shares traded at discounts of between 7.9% and 15.2%. As noted in my half yearly report the discount stood at 13.3% as at 30 September 2018 but narrowed in the second half of the year, and on 31 March 2019, the discount was 9.1%.

The Board continues to exercise its right to buy back shares when it believes this to be in shareholders' interests and with the aim of reducing volatility in the discount. In light of the volatility experienced this year, the Company was very active in buying back

shares, with a total of 20,546,172 shares being bought back, which was 7.55% 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 1.0%. The discount was quite wide in the first half of the financial year but narrowed to finish the year at a relatively lower level.

Over the five accounting years since the last continuation vote, some 71.9 million shares, or over 22% of shares which were in circulation on 31 March 2014, have been bought back.

As at 31 March 2019, TEMIT held 20,765,179 shares in treasury, which was 8.3% of shares in issue. 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.

As well as using share buy backs to help to limit the supply of shares, the Board and Franklin Templeton remain committed to seeking to stimulate demand for TEMIT's shares via a comprehensive marketing and media relations programme, including social media.

Conditional Tender Offer

On 3 May 2019, the Board announced that, subject to the passing of the continuation vote at the 2019 AGM, the Board will introduce a five-year performance-related conditional tender offer (the "Conditional Tender Offer"). There will be no tender offer in the event that the Company's net asset value total return continues to exceed the benchmark total return (MSCI Emerging Markets Index TR). However, if over the five-year period to 31 March 2024 the Company's net asset value total return fails to exceed the benchmark total return the Board will put forward proposals to shareholders to undertake a tender offer for up to 25 per cent of the issued share capital of the Company at the discretion of the Board. Any such tender offer will be at a price equal to the then prevailing net asset value less two per cent (less the costs of the tender offer). Any tender offer will also be conditional on shareholders approving the continuation vote in 2024 and would take place following the Company's 2024 annual general meeting.

The introduction of the Conditional Tender Offer will not affect the Board's current approach to discount management. The Board will continue to exercise its right to buy back shares when it believes this to be in shareholders' interests and with the aim of reducing volatility in the discount.

Investor Communications

Our website displays the latest news, price and performance information, portfolio details, updates from the Investment Manager and a blog discussing topical issues in emerging markets. Via the website you can ask to have the latest Company information e-mailed directly to you. I encourage all shareholders to register on our website and make use of the facilities and materials available to help keep you informed about the Company. If you have a Twitter account, you can also follow us via our Twitter handle @TEMIT.

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. While the 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

With effect from 1 July 2018, the annual management fee was reduced to 1% of net assets up to £1 billion and 0.85% of net assets above £1 billion. Based on net assets as at 31 March 2019, this results in an annual saving to the Company of £1.5 million. Having reduced fees in both 2017 and 2018, the Board has agreed with Franklin Templeton that it will maintain fees at the current level for the 2019/2020 financial year.

The Board

As announced last year, Charlie Ricketts joined the Board at the conclusion of last year's AGM in July, while Hamish Buchan retired at that time. Following Hamish Buchan's retirement, Beatrice Hollond is the Senior Independent Director.

Outlook

At the time of writing, the Company's Net Asset Value and share price have experienced a substantial recovery following the volatility experienced in late 2018.

The Board continues to support the Investment Manager in taking a long term view of investment. We are encouraged by the resources which Franklin Templeton brings to bear on shareholders' behalf and on the value that their analysts and portfolio managers are currently finding in emerging markets. While there will inevitably be periods of volatility and setbacks along the way, as we consider a continuation vote that will in effect renew the mandate for the coming five years, the Board remains confident that an investment in TEMIT should prove rewarding over the long term.

Annual General Meeting and Continuation Vote

The Company's Articles of Association require the Board to seek shareholder's approval every five years for it to continue, and a continuation vote is due this year. The continuation vote marks the 30th anniversary of the launch of TEMIT. As can be seen in the table on page 5 of the full annual report, over the long term, investment performance has been particularly strong and returns have been substantially in excess of the benchmark index, demonstrating the value of active investment management. In light of the long-term track record and the strength of the investment management team, the Board unanimously recommends that shareholders vote in favour of continuation.

I would like to invite all shareholders to attend the AGM to be held at The Honourable Artillery Company, City Road, London, EC1Y 2BQ at 12 noon on Thursday 11 July 2019. There will be an opportunity to meet the Board and the Portfolio Manager and to hear the latest news on the Company, its investments and the markets, as well as take part in the formal annual meeting. More details of the meeting can be found on pages 91 to 94 of the full annual report.

Paul Manduca
Chairman
5 June 2019

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

In setting the Company's overall strategy, the Directors have taken due note of the requirements of Section 172 of the Companies Act, 2006. This section sets out a duty to promote the overall success of the company, while taking account of the interests of its various stakeholders. 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 capable 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 aims 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 19 to 22 of the full annual report for details of the Investment process.

Liquidity

The Company is listed on the London and New Zealand Stock Exchanges. The Company has engaged Winterflood Securities as Financial Adviser and Stockbroker, and to act as a market maker in the shares of the Company.

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. The size of the facility was increased on 3 September 2018 to £220 million. Under the facility, up to £220 million may be borrowed, and drawings are available in pounds sterling, US dollars and Chinese renminbi. The maximum amount of Chinese renminbi which may be drawn down is the equivalent of £44 million. The manager has been granted discretion by the Board to draw down the debt as investment opportunities arise, subject to overall supervision by the Board, and subject to an overall gearing limit of 10% of NAV.

The Company's net gearing position was 2.4% (net of cash in the portfolio) at the year-end (2018: 3.3%). The Directors' Report on page 45 of the full annual report includes further commentary on the gearing facility.

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

Stability

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. 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 46 of the full 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. As noted in the Chairman's Statement on page 8 of the full annual report, a continuation vote will take place at this year's AGM on Thursday 11 July.

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 website (www.temit.co.uk). Here you will find all of 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. Last year we also launched @TEMIT on Twitter.

We also hold investor briefings and discussions in order better to understand investor needs.
Strategy and Business Model (continued)

Service Providers

The Board conducts regular reviews of the Company's primary service providers as discussed on pages 47 and 48 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", "AIFM" 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 13 and 14 of the 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 22 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^(a)

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 and discount;
- Dividend and revenue earnings; and
- Ongoing charges ratio.

The ten-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 ten-year record on pages 3 and 4 of the full annual report.

The Chairman's Statement on pages 5 to 8 of the full annual report and the Investment Manager's Report on pages 18 to 38 of the full annual report include further commentary on the Company's performance.

^(a) A glossary of alternative performance measures is included on page 98 of the full annual report.

Strategy and Business Model (continued)

Share price and discount

Details of the Company's share price and discount are presented within the Financial Summary on page 2 of the full annual report. On 22 May 2019, the latest date for which information was available, the discount had widened to 10.3%.

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 12 July 2018 to buy back up to 14.99% of the Company's issued share capital on that date. The present authority expires on the conclusion of the AGM on 11 July 2019. The Directors are seeking to renew this authority at the 2019 AGM, as further detailed in the Directors' Report on page 52 of the full annual report.

Details on share buy backs in the year can be found on pages 6, 46 and 84 in the full annual report.

From 1 April 2019 to 22 May 2019, 1,569,975 shares were bought back and cancelled for a total consideration of £12,066,408.

Share price discount to NAV

Dividend and revenue earnings

Total income earned in the year was £59.7 million (2018: £60.5 million) which translates into net earnings of 17.26p pence per share (2018: 15.90 pence per share), an increase of 8.6% over the prior year.

The Board is proposing a final dividend of 11.00 pence per share, making total dividends for the year 16.00 pence per share.

Ongoing charges ratio ("OCR")

The OCR fell to 1.02% for the year ended 31 March 2019, compared to 1.12% in the prior year. This was due to the AIFM fee reduction as detailed within the Directors' Report on page 47 of the full annual report.

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 7 to the Financial Statements on page 83 of the full annual report.

Principal Risks

The principal risks facing the Company, as determined by the 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 60 and 61 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 14 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 investment in companies demonstrating sustainable earnings power at a discount to their strategic worth. 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 regularly reviews 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.
Risk	Mitigation
Counterparty and 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.
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.	<p>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.</p> <p>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) that is independently reported on by its auditor, PwC.</p> <p>The Board reviews regular operational risk management reporting provided by the Investment Manager.</p>
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.	<p>The Company benefits from Franklin Templeton's technology framework designed to mitigate the risk of a cyber security breach.</p> <p>For key third-party providers, the Audit Committee receives regular independent certifications of their control's environment.</p>

Brexit

TEMIT is a company registered in Scotland. At the time of writing, the timing and terms of the United Kingdom's exit from the European Union ("Brexit") are unclear.

TEMIT is regulated as an AIF under UK law, with its AIFM being FTIS, a Luxembourg company. In light of the recent UK proposal for a Temporary Permissions Regime that would allow up to a three-year extension of current "passporting" for the AIFM into the UK, we expect that the UK FCA will continue to recognise FTIS as TEMIT's AIFM at least for the next three years.

TEMIT invests the majority of its assets outside the EU and the vast majority of shareholders are based in the UK, New Zealand and the United States. The only material adverse effect of the Brexit process on TEMIT to date has been the increase in volatility of the value of the British Pound, which affects the value of TEMIT's assets in the hands of UK-based shareholders.

While Brexit has created a degree of uncertainty, in light of the nature of TEMIT's business and the regulatory arrangements described above, the Board has decided that Brexit is not one of the Principal Risks facing the Company. Nevertheless, the Board and AIFM continue to monitor developments closely.

Environmental, Social and Governance Matters

As an investment trust the Company has no significant direct, environmental, social, community or employee responsibilities. Its policy is focused on making sure that its assets are properly managed and invested within guidelines approved by the Board. The Board receives regular reports on the policies and controls in place.

The Investment Manager, Franklin Templeton embeds Environmental, Social and Governance (ESG) considerations, best practice and analytics in their investment processes.

Recognising the importance of ESG considerations to shareholders, the Investment Manager became a signatory of the United Nations Principles for Responsible Investing ("PRI") in 2013. As a signatory, the Investment Manager reports annually on its progress and in 2018 (the latest statistics available) ranked ahead of the peer median score in all categories. A link to the PRI Transparency Report and policies relating to responsible investing are available on the Company's website – www.temit.co.uk.

The Investment Manager comments on the integral nature of ESG within the investment process and how they engage with companies to promote ESG best practices on page 20 of the full annual report. They are assisted by Franklin Templeton's independent ESG specialists and risk managers.

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 that 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.

The Investment Manager has a culture that they consider is founded on diversity, inclusion, and empowerment. As a global company, Franklin Templeton believe they benefit from the unique skills and experiences of an inclusive workforce made up of employees who span different generations, genders, preferences, capabilities and cultural identification. This culture aided Franklin Templeton's inclusion in the 2019 Bloomberg Gender-Equality Index (GEI), which recognises diverse and equitable workplaces. Franklin Templeton sponsor thousands of volunteer activities each year through their global Involved programme which helps to provide better outcomes for local communities. In the UK, they are active sponsors/supporters of several organisations that promote diversity such as the Diversity Project, Stonewall and Career Ready.

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 has 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 markets securities against having due regard to viability over the longer term.

In assessing the Company's viability, the Board has 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 14 of the Notes to the Financial Statements. The Board evaluated a number of scenarios of possible future circumstances including a material increase in expenses and a significant and prolonged fall in equity markets. 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 has concluded that there is a reasonable expectation that, assuming there will be a successful continuation vote at the forthcoming 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 that 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 2019

The Investment Manager

TEMIT's Investment Manager is the Franklin Templeton Emerging Markets Equity (FTEME) team. FTEME has managed the portfolio since TEMIT's inception and are pioneers in emerging markets equity investing. They bring more than 30 years of experience and local knowledge from over 80 investment professionals, based in 16 countries around the world.

The team has a collaborative and team-oriented investment process where all analysts and portfolio managers are jointly tasked to contribute to investment returns. They meet regularly, both formally and informally, to debate and exchange ideas, investment themes and enrich their understanding of the markets by drawing on local insights to build a global perspective and context to their thinking. They also benefit from the broader resources available throughout Franklin Templeton.

The portfolio managers for TEMIT, Chetan Sehgal (lead) and Andrew Ness are senior executives in FTEME.

Portfolio Managers

Chetan Sehgal, CFA

Chetan is the lead portfolio manager of TEMIT, based in Singapore.

As part of his broader responsibilities within FTEME, Chetan is also the director of portfolio management. In this capacity, he is responsible for the overall Global Emerging Markets and Small Cap strategies, providing guidance and thought leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across products within the strategies.

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

Chetan holds a B.E. Mechanical (Hons) 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.

Andrew Ness, ASIP

Based in Edinburgh, UK, Andrew Ness is co-portfolio manager of TEMIT.

Prior to joining Franklin Templeton in September 2018, Andrew was a Portfolio Manager at Martin Currie, an Edinburgh based asset manager. He began his career at Murray Johnstone in 1994 and worked with Deutsche Asset Management in both London and New York before joining Scottish Widows Investment Partnership in 2007. Andrew holds a B.A. (Hons) in Economics and an MSc in business economics from the University of Strathclyde in the UK. He is an Associate Member of the UK Society of Investment Professionals and a member of the CFA Institute.

Investment Process

Investment Philosophy and Approach

The investment team aims to capture the growth potential of emerging markets economies by employing a bottom-up stock selection process based on in-depth company research. Through this long-term approach, they focus on identifying companies with sustainable earnings power at a discount to intrinsic worth.

The team's information advantage lies in its extensive locally-based emerging markets resource, providing valuable local access to companies and expertise. This, combined with an investment approach that is robust, scalable, and continuously refined allows the team to provide investors with access to the most attractive investment opportunities within emerging markets.

TEMIT's performance in different market environments

Given TEMIT's long-term approach and focus on identifying sustainable businesses that are mispriced by the market, the portfolio is most likely to produce superior returns in market environments that reward patience, and where company fundamentals are the primary driver of stock returns.

Investment Process

The team's investment approach is bottom-up, fundamental research-driven with the focus on identifying companies demonstrating sustainable earnings power at a discount to intrinsic worth. In order to achieve this, the team has developed a rigorous and transparent investment process, as illustrated below, where risk management and stewardship is embedded at every stage of the process.

1. Idea Generation

The key source of idea generation is the team of over 80 country and sector analysts and portfolio managers located around the globe. Their local presence means that they are best placed to uncover potential investments that meet the specific stock criteria used to identify sustainable earnings power. In addition, they can incorporate a deep understanding of the economic, political and cultural environment in their analysis.

Following identification of a potential investment for the portfolio, the analyst, Director of Research or Portfolio Managers will jointly agree whether a deeper analysis is warranted.

Investment Process (continued)

2. Stock Research

In carrying out deep fundamental analysis on a stock, the team will look for the following characteristics:

Sustainability — the ability to sustain stable or growing economic profits over time. This is typically driven by a combination of a sound business model, earnings growth consistency, a sustainable competitive advantage such as strong growth opportunities, barriers to entry, and management with a strong strategic focus, among other factors.

At this stage of the investment process, there is also an analysis of a company's Environmental, Social and Governance (ESG) practices, and how they might impact the business model. This analysis and its conclusions are incorporated into the research note that forms the basis of the fundamental research analysis and is stored and shared on a proprietary research platform.

Earnings Power — the team define earnings power as the ability to generate sustainable economic profit into the future, including in areas that could be beyond the current scope of operations. A key element of determining earnings power is therefore assessing the company's asset quality, financial strength, and management quality.

Discount to intrinsic worth — the intrinsic worth of a company is determined through modelling the current business characteristics and changes in the business profile over time.

Company Engagement

The team believes that as co-owners of the businesses in which FTEME invests they are responsible for engaging with companies, on behalf of shareholders, to drive better outcomes. As such, the team regularly communicates with companies to identify and promote management practices that are conducive to long-term earnings growth and sustainability.

When potential corporate governance concerns arise, the team work directly with the companies in which they invest to advise and help strengthen governance. The FTEME team provides guidance to companies facing management difficulties to help them improve managerial controls and align interests, further enhancing shareholder value. If necessary, they may actively oppose management if this is believed to be in the best interests of TEMIT's shareholders and they may escalate engagement activities to include collaboration with other investors, public pressure via the media, and even the legal system, if appropriate.

Investment Process (continued)

3. Portfolio Construction

The Portfolio Managers aim to build a portfolio of between 70 and 100 companies that have been identified as strong investment opportunities.

Every potential company holding is considered in the context of TEMIT's full portfolio, including the marginal risk and return of adding the company to the portfolio.

To ensure diversification and to manage risk effectively, the size of each holding is carefully managed. This serves to diversify the portfolio across a wide number of investment opportunities—allowing each to contribute to the performance of the portfolio in a meaningful way—while also limiting the potential downside impact of any single security. In addition, individual stock weightings are determined by the liquidity in the stock and the respective market. While the FTEME team is comfortable investing in less liquid companies that meet TEMIT's investment criteria, the team also seeks to ensure that there is sufficient liquidity to exit the investment if fundamentals deteriorate or the investment case changes and fundamentals deteriorate.

While the portfolio will include some overlap with the MSCI Emerging Markets Index, the Portfolio Managers do not intend to replicate the Index and the portfolio may vary considerably. TEMIT may include some companies and countries that are not included in the MSCI Emerging Markets Index. Risk considerations are embedded throughout the team's fundamental research and they are careful to ensure that the portfolio is not exposed to any unintentional risks and aim to prevent excessive exposure to any single company, industry sector, country, investment theme or to excessive volatility.

All holdings are regularly reviewed to ensure that analysts' recommendations are up-to-date and accurately reflect any changes in company fundamentals. The team's ongoing fundamental research and disciplined approach drives all buy and sell decisions.

Investment Risk Management

Investment in emerging markets 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 ("FT"). FT 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 FT'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 FT'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

Integrated

- Begins with portfolio management

PORTFOLIO MANAGERS

The approach

- 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 FT CEO and serves multiple stakeholders within FT
- 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 that can provide valuable insight for consideration in the portfolio construction process.

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

Portfolio Report

Market Overview

Emerging markets equities recovered in the latter part of year under review, offsetting earlier losses to end the 12-month period unchanged. The MSCI Emerging Markets Index returned 0.1% for the year to 31 March 2019, while TEMIT delivered a net asset value total return of 1.8% (all total return figures in sterling). Full details of TEMIT's performance can be found on page 1 of the full annual report.

Emerging markets found themselves under a cloud of gloom over most of the reporting year as concerns over rising US interest rates, heightened global trade tensions—especially between the US and China—and worries about global economic growth weighed on market sentiment. Fears that contagion from issues in several individual countries such as Turkey and Argentina could spread to other emerging markets also played a role. These factors impacted investor sentiment and the market ignored the cheap valuations and solid long-term fundamentals of emerging markets companies.

Headwinds faced by emerging markets in 2018, however, became tailwinds in early 2019, as markets responded positively to easing US-China trade tensions and indications the US Federal Reserve (Fed) would slow its pace of interest-rate increases. The Fed confirmed its dovish stance at its March meeting, following indications of slowing rate hikes in January, after raising rates in 2018. The pause in rate hikes saw risk appetite return to emerging markets, contributing to the rally in the first quarter of 2019.

Trade tensions between US and China have simmered over the last few years and had resulted in tariff introductions before US President Donald Trump's decision to delay additional tariff hikes following progress in trade talks between both countries which subsequently boosted expectations of a new trade agreement. However, in May 2019, the US raised tariffs citing slow progress in trade talks, following which China retaliated with the announcement of further tariffs on US products. The markets experienced increased volatility as a result of the increased uncertainty surrounding an eventual trade deal between the two countries.

Despite being underweight versus the benchmark, **China** was TEMIT's largest market position at the end of the reporting period and we remain comfortable with the exposure. Even after a double-digit return in the first quarter of 2019, Chinese stocks declined over the full reporting year. The trade dispute with the US coincided with the Chinese government's efforts to curb borrowing, raising concerns about the prospects for economic growth. China's economy grew by 6.4% year-on-year (y-o-y) in the final quarter of 2018, the slowest since 2009, but in line with market expectations. To cushion its economy, China eased monetary conditions and introduced fiscal stimulus measures—a trend that we expect to continue as the Chinese government continues to support the domestic economy, especially in line with the continuing trade tensions. While growth in China has eased recently, we do not expect a hard landing if the government maintains adequate liquidity and maintains a positive capital account. The economy is still growing at a robust rate, making the country one of the fastest growing major economies in the world.

South Korea's stock market lagged its peers over the year as a trade conflict with the US (a revised free-trade agreement was reached in September), lacklustre earnings momentum and a worse-than-expected decline in computer memory prices and demand outlook weighed on investor confidence for most of the year. However, expectations of a US-China trade deal and an anticipated recovery in the computer memory market in the latter part of 2018 coupled with undemanding valuations resulted in significant foreign investment inflows in early 2019. While a historic meeting between the leaders of the US and North Korea in June 2018 raised hopes for a denuclearisation of the Korean peninsula, a disappointing summit in February 2019 doused expectations. Domestically, fourth-quarter GDP growth accelerated to 3.1% y-o-y supported by fiscal stimulus, while consumer sentiment and domestic demand also improved. We continued to witness corporate governance improvements as companies continue to enhance their shareholder returns, which could help raise the appeal of South Korean companies to investors globally. South Korea accounted for the second-largest market position in TEMIT's portfolio at the end of March.

TEMIT's exposure to **Taiwan** was largely attributable to Taiwan Semiconductor Manufacturing Company (TSMC), one of the portfolio's largest holdings. TSMC is one of the world's leading semiconductor makers and counts major technology companies amongst its clients. The company has built a strong technological lead and has a large number of marquee clients. We believe that it is well-positioned to benefit from rising silicon content in smartphones as well as to benefit from strong demand growth due to the rapid development of artificial intelligence, autonomous driving and the Internet of Things. Additionally, TSMC's commitment to delivery of advanced technologies ensures that it maintains its leadership position thereby protecting its market share and supporting long-term earnings growth. We continue to see technology as a structural driver of global economic growth and maintained positions in several Taiwanese electronic component makers. Shares in TSMC ended off their year-high despite a late rebound in the reporting period.

Another key market for TEMIT, **Russia**, fared significantly better than its peers, ending the year with a double-digit return, showing resilience in the face of US/EU sanctions and volatile oil prices in the second half of the year. We remain constructive on the oil price over the medium to long term but recognise that volatility in prices could lead to elevated earnings risk and therefore we focus on companies with low production costs and strong balance sheets. We believe that because the Russian economy is less dependent on the West and is, rather, more self-sustained, it is still possible to find companies that can flourish and do well. Thus, in addition to energy companies, we also favour companies such as Sberbank and Yandex that are more exposed to the domestic economy. It is also important to note that the corporate governance practices of many Russian companies have improved quite significantly. We also saw many companies implement policies, including share buybacks and increasing dividend pay-outs, to improve shareholder returns which boded well for investor sentiment in the market. Russian equity valuations were amongst the lowest in emerging markets, while dividend yields were amongst the highest. TEMIT's exposure to Russia reflected our conviction in select companies with strong underlying fundamentals and prospects.

While political uncertainty and concerns that labour strikes could impact economic activity weighed on the **Brazilian** market, equity prices rallied in the latter part of the year on expectations for, and the subsequent victory of, a more market-friendly candidate in presidential elections. Optimism surrounding the government's economic agenda including the key social security reform, has resulted in a more favourable climate where higher consumer and business confidence could lead to an acceleration in domestic economic activity. Looking forward, we believe that this should be positive for earnings growth and for the Brazilian equity market generally. The local market is trading at what we view to be reasonable price-earnings ratios and should have more scope for improvement as the economic situation improves.

We continue to have a favourable view on domestic-oriented themes including financials and consumer-related sectors. TEMIT had a considerable position in Brazil, supported by our positive outlook for the country.

Investment Strategy, 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. We continue to emphasise our investment process that selects companies based on their individual

attributes and ability to generate risk-adjusted returns for investors, rather than taking a high-level view of sectors, countries or geographic regions to determine our investment allocations.

While we do consider macroeconomic and political events, a fundamental focus on individual companies and their earnings is our major focus in achieving our stated objectives.

Our investment style is centred on finding companies with sustainable earnings power and whose shares trade at a discount relative to their intrinsic worth and to other investment opportunities in the market. We also pay close attention to risks.

We continue to utilise our research-based, active approach to help us to find companies which have high standards of corporate governance, respect their shareholder base and understand the local intricacies that may determine consumer trends and habits. Utilising our large team of analysts, we aim to maintain close contact with the board and senior management of existing and potential investments and believe in engaging constructively with our investee companies.

All of these factors require us to conduct detailed analyses of potential returns versus risks with a time horizon of typically five years or more.

We believe that technology will continue to reshape the global economy and transform industrial landscapes. E-commerce continues to accelerate, and companies continue to embrace technology and innovation in order to remain competitive and relevant.

The transformation of the emerging markets consumer is another key theme for us as favourable demographics and urbanisation dynamics coupled with an underleveraged emerging markets consumer brings opportunities to tap into a growing domestic consumer market.

As such, we continue to build positions in companies that provide exposures to these key themes of consumption and technology, where we have confidence in management's ability to deliver sustainable growth, and where we believe the market may be mispricing opportunities.

Performance Attribution Analysis %

Year to 31 March	2019	2018	2017	2016	2015
Net asset value total return ^(a)	1.8	12.4	47.8	(17.1)	9.6
Expenses incurred	1.0	1.1	1.2	1.2	1.2
Gross total return ^(a)	2.8	13.5	49.0	(15.9)	10.8
Benchmark total return ^(a)	0.1	11.8	35.2	(8.8)	13.2
Excess return ^(a)	2.7	1.7	13.8	(7.1)	(2.4)
Stock selection	1.8	1.3	13.7	(11.4)	(0.1)
Sector allocation	(0.6)	(0.3)	0.1	2.0	(7.8)
Currency	1.0	0.4	0.2	1.5	6.0
Residual ^(a)	0.5	0.3	(0.2)	0.8	(0.5)
Total portfolio manager contribution	2.7	1.7	13.8	(7.1)	(2.4)

Source: FactSet and Franklin Templeton.

^(a) A glossary of alternative performance measures is included on page 98 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
ICICI Bank	India	Financials	46.5	1.1
LUKOIL, ADR	Russia	Energy	47.2	0.7
Bank Danamon Indonesia	Indonesia	Financials	40.8	0.7
Buenaventura, ADR	Peru	Materials	22.9	0.6
NagaCorp ^(b)	Cambodia	Consumer Discretionary	52.1	0.5
HDC Holdings ^(c)	South Korea	Industrials	25.3	0.4
Unilever ^(b)	United Kingdom	Consumer Staples	14.8	0.4

CNOOC	China/Hong Kong	Energy	43.0	0.3
Cia.Hering ^(b)	Brazil	Consumer Discretionary	53.1	0.3
Naspers	South Africa	Consumer Discretionary	5.7	0.3

(a) For the period 31 March 2018 to 31 March 2019.

(b) Security not included in the MSCI Emerging Markets Index.

(c) Security no longer held by TEMIT as at 31 March 2019.

ICICI Bank is one of the largest private-sector banks in India and is well positioned to benefit from the country's growing financial needs. The resolution of senior management transition issues and improvement in asset quality drove returns. The bank also reported solid fourth-quarter 2018 operating results. Hopes for the central bank to improve liquidity and ease lending rules in the banking system also played a role. The Indian banking system is one of the fastest growing banking systems in the world. Private-sector banks have a market share of around 30%, while state-owned banks make up the rest. India's private-sector banks have demonstrated competitiveness, leading us to expect private-sector banks to grow faster and gain market share. We favour ICICI Bank as it continues to build its strong retail franchise and extensive network. A turnaround in its corporate business could further drive positive sentiment in the stock.

Lukoil is one of Russia's largest vertically integrated (where the supply chain is owned by the company) energy companies, as well as one of the biggest globally, in terms of reserves. Rebounding oil prices benefited Lukoil in the earlier part of the year under review, driving sharply higher sales and earnings for the quarters ended June and September. Despite a correction in oil prices during the final quarter in 2018, Lukoil reported strong corporate results for the final quarter of 2018 supported by solid cost controls and lower-than-expected capex expenditure. Lukoil also started a USD3 billion share buyback programme and approved the cancellation of 100 million shares of treasury stock, as it looked to improve shareholder value and corporate governance. Lukoil's attractiveness stems from its vast and low-cost reserves, which allows the company to remain profitable even during periods of lower oil prices. The company also boasts a healthy balance sheet and strong free cash flow generation. Additionally, the company's progressive dividend policy and share buyback programme are positives for the stock.

Bank Danamon Indonesia is one of the country's ten largest banks in terms of assets and loans. Shares in the bank rose as its shareholder Mitsubishi UFJ Financial Group (MUFG) moved closer towards gaining a majority stake in the lender. Shareholders approved a merger between Danamon and a local peer, in which MUFG is also invested, which was a prerequisite for MUFG to obtain the regulatory waiver required to exceed 40% ownership in Danamon. The move could eventually pave the way for MUFG to increase its stake in Danamon to over 70%. The deal will bolster its position as one of Indonesia's leading banks. Danamon reported higher earnings supported by declining provisions and improving asset quality in 2018. We accepted MUFG's offer as we viewed it to be a fair offer and in April our holding was divested.

Top detractors to relative performance by security (%)^(a)

Top detractors	Country	Sector	Share price total return	Relative contribution to portfolio
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	(48.3)	(2.7)
Massmart ^(b)	South Africa	Consumer Staples	(55.6)	(0.6)
Catcher Technology	Taiwan	Information Technology	(29.6)	(0.3)
HDC Hyundai Development	South Korea	Industrials	(17.8)	(0.3)
Hon Hai Precision Industry	Taiwan	Information Technology	(31.1)	(0.3)
Mail.Ru, GDR ^(b)	Russia	Communication Services	(23.8)	(0.3)
Reliance Industries	India	Energy	57.5	(0.3)
Samsung Electronics	South Korea	Information Technology	(5.5)	(0.3)
Sberbank Of Russia, ADR	Russia	Financials	(15.6)	(0.2)
Petroleo Brasileiro, ADR ^(c)	Brazil	Energy	24.0	(0.2)

(a) For the period 31 March 2018 to 31 March 2019.

(b) Security not included in the MSCI Emerging Markets Index.

(c) Security no longer held by TEMIT as at 31 March 2019.

Brilliance China Automotive manufactures and sells automobiles for the Chinese domestic market, predominantly through its joint venture (JV) with German luxury car maker BMW. BMW's plans to increase its JV stake to 75% from 50% was poorly received by investors in October 2018 on concerns around certain aspects of the proposed deal terms, Brilliance's reduced stake in the JV and the potential impact on earnings. The sale of a 25% stake in the partnership to BMW was subsequently approved by Brilliance's shareholders in early 2019. However, completion is pending approval from the Chinese regulators in 2022, when the change in

regulations on foreign ownership comes into effect. While the stock remains a significant holding, we decreased our position to reduce portfolio risk.

Massmart is a leading South African distributor and retailer of food products, general merchandise, alcohol, home improvement equipment and supplies as well as a wholesaler. US-based Walmart, the world's largest retailer, owns a controlling stake in Massmart. Disappointing 2018 corporate results from the company resulted in a reduction in the share price. 2018 earnings declined largely due to weak sales growth and a contraction in the operating margin in two divisions. A reduction in dividends further impacted sentiment. An increase in petrol prices and value added tax (VAT) coupled with high unemployment and weak economic growth weighed on consumer demand in South Africa. Taking a longer-term view, we remain confident that the Massmart management should be able to turn the operations around and benefit from a recovery in the domestic economy and consumer demand, which could ensue if the new Government in South Africa continues to carry forward its agenda of reform and reduction in corruption as mandated by the people.

Catcher Technology is among the world's largest light metal casing manufacturers in the 3C (Computer, Communication and Consumer) industry. Catcher operates four plants in China and is headquartered in Taiwan. The company has a significant market share in the notebook and handset metal casing sectors and counts Apple, Dell, HP and Sony among its key clients. Weak fourth-quarter 2018 corporate results and indications from management that weak smartphone demand will provide challenges for 2019, impacted the share price. Catcher Technology, however, is well positioned to benefit from the rising rate of metal casing adoption in 3C products. We prefer Catcher over its competitors due to its economies of scale, higher efficiency and better yield, but are mindful of the challenges that the environment poses.

Top contributors and detractors to relative performance by sector (%)^{(a)(b)}

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	1.7	1.7	Consumer Discretionary	(2.7)	(1.1)
Health Care	(17.5)	0.8	Information Technology	(2.4)	(0.2)
Industrials	(1.0)	0.6	Utilities	5.0	(0.2)
Energy	18.4	0.5	Real Estate	6.1	(0.1)
Materials	1.6	0.3			
Communication Services	(5.1)	0.3			
Consumer Staples	(1.1)	0.0			

^(a) For the period 31 March 2018 to 31 March 2019.

^(b) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

Favourable stock selection in the financials, health care and industrials sectors added to TEMIT's performance relative to the benchmark index in the review period. Asian banks, in particular, performed well. During the period, we added to our holdings in the financials sector, as part of our 'transformation in the emerging markets consumer' theme in the portfolio. Financials are a good way tap into a country's growing economy, as economic expansion helps boost incomes and demand for financial services. We reduced investments in some industrial companies to raise funds for other attractive investment opportunities. Conversely, the consumer discretionary, information technology and utilities sectors negatively impacted relative returns. We continue to maintain an underweight position in utilities relative to the benchmark index as we find better opportunities in other sectors.

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
Indonesia	10.3	0.7	China/Hong Kong	1.1	(1.4)
South Korea	(9.8)	0.7	Taiwan	2.0	(0.8)
Peru	10.0	0.6	Qatar ^(b)	31.6	(0.2)
Brazil	3.1	0.6	Pakistan	(31.2)	(0.2)
South Africa	(11.4)	0.6	Russia	11.0	(0.2)
Cambodia ^(c)	—	0.5	Philippines	10.1	(0.2)

United Kingdom ^(c)	–	0.4	Kenya ^(c)	–	(0.1)
India	14.9	0.4	Argentina ^(c)	–	(0.1)
Turkey ^(b)	(35.3)	0.3	Colombia ^(b)	13.5	(0.1)
United States ^(c)	–	0.3	United Arab Emirates ^(b)	9.1	(0.1)

^(a) For the period 31 March 2018 to 31 March 2019.

^(b) No companies held by TEMIT in this country.

^(c) No companies included in the MSCI Emerging Markets Index in this country.

Our selection of stocks in Indonesia, South Korea and Peru, were among the major contributors to TEMIT's returns relative to the benchmark index. An overweight exposure in Indonesia and Peru further strengthened the relative contribution from those markets, as they outperformed their emerging markets peers over the period. The Indonesian market benefited from solid economic growth coupled with expectations of the president's re-election in April 2019. An acceleration in reforms including infrastructure development further supported market sentiment. Healthy macroeconomic data including strong 2018 GDP growth data and improving trade numbers supported investor confidence in Peru. Industrials stocks in South Korea were key performance drivers, benefitting from a recovery in the domestic property market and a low interest rate environment. While we reduced our holdings in all three markets during the reporting period, we continue to maintain a significant position in South Korea and overweight positions in Indonesia and Peru. In contrast, relative performance was hurt by stock selection in China and Taiwan. A zero exposure to Qatar, where we do not find attractive opportunities, also weighed on relative performance. We added to holdings in China during the reporting period. As discussed above, TEMIT's position in Brilliance China Automotive largely accounted for the negative contribution from our Chinese holdings.

Our resulting portfolio is listed by size of holding on pages 32 to 36 of the full annual report.

Portfolio changes by Sector^(a)

	Total Return in sterling							
	31 March 2018			Market	31 March 2019		MSCI Emerging	
Sector	Market Value ^(a)	Purchases	Sales	Movement	Market Value	TEMIT	Markets Index	
	£m	£m	£m	£m	£m	%	%	
Financials	529	94	62	24	585	7.6	1.7	
Consumer Discretionary	538	34	82	(42)	448	(5.5)	(2.7)	
Information Technology	443	62	65	(21)	419	(2.9)	(2.4)	
Communication Services	247	26	42	(4)	227	(3.9)	(5.1)	
Energy	184	3	52	28	163	23.5	18.4	
Consumer Staples	167	12	23	(4)	152	0.0	(1.1)	
Materials	139	10	84	1	66	5.6	1.6	
Industrials	67	19	44	10	52	21.2	(1.0)	
Health Care	38	3	1	2	42	9.0	(17.5)	
Real Estate	14	–	7	1	8	14.1	6.1	
Utilities	5	–	4	(1)	–	(7.2)	5.0	
Net current Liabilities ^(b)	(70)	–	–	26	(44)	–	–	
Total	2,301	263	466	20	2,118			

Sector Asset Allocation

As at 31 March 2019

Sector weightings vs benchmark (%)^(a)

^(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018. The 31 March 2018 figures have been re-classified according to these changes.

^(b) The Company's net current liabilities per the Statement of Financial Position on page 73 of the full annual report.

Portfolio changes by Country

Country	Total return in sterling						
	31 March 2018 Market Value £m	Purchases £m	Sales £m	Market Movement £m	31 March 2019 Market Value £m	TEMIT %	MSCI Emerging Markets Index %
China/Hong Kong	506	99	65	(28)	512	(4.1)	1.1
South Korea	353	48	88	(24)	289	(6.1)	(9.8)
Taiwan	231	33	39	(19)	206	(4.9)	2.0
Russia	213	11	31	(4)	189	3.0	11.0
Brazil	212	–	33	2	181	5.5	3.1
India	117	16	4	33	162	26.8	14.9
South Africa	160	11	17	(6)	148	(3.9)	(11.4)
Thailand	116	–	29	3	90	7.5	0.6
Other	463	45	160	37	385	–	–
Net Current Liabilities ^(a)	(70)	–	–	26	(44)		
Total	2,301	263	466	20	2,118		

Geographic Asset Allocation
As at 31 March 2019

Country weightings vs benchmark (%)^(b)

^(a) The Company's net current liabilities per the Statement of Financial Position on page 73 of the full annual report.

^(b) Other countries included in the benchmark are Chile, Colombia, Egypt, Greece, Malaysia, Poland, Qatar, Turkey and the United Arab Emirates.

^(c) Countries not included in the MSCI Emerging Markets Index.

Portfolio Investments by Fair Value
As at 31 March 2019

Holding	Country	Sector ^(a)	Trading ^(b)	Fair Value £'000	% of net assets
Samsung Electronics	South Korea	Information Technology	PS	154,737	7.3
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	IH	139,856	6.6
Naspers	South Africa	Consumer Discretionary	PS	129,027	6.1
Alibaba, ADR ^(c)	China/Hong Kong	Consumer Discretionary	NT	107,755	5.1
ICICI Bank	India	Financials	NT	75,436	3.6
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	IH	72,212	3.4
Unilever ^(d)	United Kingdom	Consumer Staples	PS	67,294	3.2
Tencent	China/Hong Kong	Communication services	PS	62,387	2.9
LUKOIL, ADR ^(c)	Russia	Energy	PS	58,843	2.8
Banco Bradesco, ADR ^{(c)(e)}	Brazil	Financials	NT	50,945	2.4
TOP 10 LARGEST INVESTMENTS				918,492	43.4
Itaú Unibanco, ADR ^(c)	Brazil	Financials	NT	48,662	2.3
Bank Danamon Indonesia	Indonesia	Financials	PS	47,018	2.2
Sberbank Of Russia, ADR ^(c)	Russia	Financials	IH	44,334	2.1
China Construction Bank	China/Hong Kong	Financials	NH	40,337	1.9
Banco Santander Mexico, ADR ^(c)	Mexico	Financials	IH	38,168	1.8
Cognizant Technology Solutions ^(d)	United States	Information Technology	NH	37,690	1.8
NAVER	South Korea	Communication Services	IH	34,581	1.6

CNOOC	China/Hong Kong	Energy	PS	33,658	1.6
Ping An Bank	China/Hong Kong	Financials	IH	32,381	1.5
China Mobile	China/Hong Kong	Communication Services	PS	30,447	1.4
TOP 20 LARGEST INVESTMENTS				1,305,768	61.6

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

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

(c) US listed American Depositary Receipt.

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

(e) Preferred Shares.

Holding	Country	Sector ^(a)	Trading ^(b)	Fair Value £'000	% of net assets
Yandex	Russia	Communication Services	NT	30,070	1.4
LG	South Korea	Industrials	IH	28,531	1.3
Astra International	Indonesia	Consumer Discretionary	PS	27,598	1.3
NagaCorp	Cambodia	Consumer Discretionary	PS	27,464	1.3
Kasikornbank	Thailand	Financials	NT	27,457	1.3
Gazprom, ADR ^(c)	Russia	Energy	PS	26,712	1.3
Infosys Technologies	India	Information Technology	IH	22,036	1.1
Kiatnakin Bank	Thailand	Financials	PS	21,966	1.0
POSCO	South Korea	Materials	NT	21,497	1.0
Ping An Insurance Group	China/Hong Kong	Financials	PS	20,562	1.0
TOP 30 LARGEST INVESTMENTS				1,559,661	73.6

Lojas Americanas	Brazil	Consumer Discretionary	NT	20,077	1.0
Gedeon Richter	Hungary	Health Care	IH	19,767	0.9
Thai Beverages	Thailand	Consumer Staples	NT	19,442	0.9
Mail.Ru, GDR ^(f)	Russia	Communication Services	PS	19,003	0.9
IMAX ^(d)	United States	Communication Services	PS	18,895	0.9
Glenmark Pharmaceuticals	India	Health Care	IH	18,771	0.9
BM&F Bovespa	Brazil	Financials	PS	18,389	0.9
Buenaventura, ADR ^(c)	Peru	Materials	PS	17,319	0.8
Bajaj Holdings & Investments	India	Financials	IH	16,813	0.8
HDC Hyundai Development	South Korea	Industrials	NH	16,730	0.8
TOP 40 LARGEST INVESTMENTS				1,744,867	82.4

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

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

(c) US listed American Depositary Receipt.

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

(f) UK listed Global Depositary Receipt.

Holding	Country	Sector^(a)	Trading^(b)	Fair Value £'000	% of net assets
TOTVS	Brazil	Information Technology	NT	16,583	0.8
China Petroleum and Chemical	China/Hong Kong	Energy	PS	16,321	0.8
Catcher Technology	Taiwan	Information Technology	NT	15,097	0.7
MCB Bank	Pakistan	Financials	PS	14,572	0.7
Hon Hai Precision Industry	Taiwan	Information Technology	PS	14,319	0.7
Uni-President China	China/Hong Kong	Consumer Staples	PS	14,274	0.7
Massmart	South Africa	Consumer Staples	IH	14,230	0.7
MGM China	China/Hong Kong	Consumer Discretionary	NT	11,825	0.6
NetEase, ADR ^(c)	China/Hong Kong	Communication Services	PS	11,713	0.6
China Merchants Bank	China/Hong Kong	Financials	NH	11,108	0.5

TOP 50 LARGEST INVESTMENTS	1,884,909	89.2
-----------------------------------	------------------	-------------

CTBC Financial Holding	Taiwan	Financials	NH	10,922	0.5
Moneta Money Bank	Czech Republic	Financials	NT	10,635	0.5
Baidu, ADR ^(c)	China/Hong Kong	Communication services	NT	10,351	0.5
Tata Chemicals	India	Materials	IH	10,027	0.5
China Resources Cement Holdings	China/Hong Kong	Materials	NH	9,996	0.5
Intercorp Financial Services	Peru	Financials	NT	8,904	0.4
M. Dias Branco	Brazil	Consumer Staples	NT	8,822	0.4
Siam Commercial Bank	Thailand	Financials	PS	8,654	0.4
Land and Houses	Thailand	Real Estate	PS	8,372	0.4
B2W Digital	Brazil	Consumer Discretionary	PS	8,249	0.4

TOP 60 LARGEST INVESTMENTS	1,979,841	93.7
-----------------------------------	------------------	-------------

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

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

(c) US listed American Depositary Receipt.

Holding	Country	Sector^(a)	Trading^(b)	Fair Value £'000	% of net assets
SK Innovation	South Korea	Energy	PS	7,806	0.4
H&H Group	China/Hong Kong	Consumer Staples	NH	7,679	0.4
East African Breweries	Kenya	Consumer Staples	NT	7,409	0.3
PChome Online	Taiwan	Consumer Discretionary	NT	7,309	0.3
Largan Precision	Taiwan	Information Technology	PS	7,232	0.3
FIT Hon Teng	Taiwan	Information Technology	NT	7,157	0.3
Coal India	India	Energy	IH	7,091	0.3
KCB Group	Kenya	Financials	PS	6,991	0.3
BDO Unibank	Philippines	Financials	NT	6,736	0.3
Hanon Systems	South Korea	Consumer Discretionary	PS	6,227	0.3

TOP 70 LARGEST INVESTMENTS	2,051,478	96.9
-----------------------------------	------------------	-------------

Equity Group	Kenya	Financials	PS	6,211	0.3
Nemak	Mexico	Consumer Discretionary	PS	6,190	0.3
Hite Jinro	South Korea	Consumer Staples	NT	6,050	0.3
Hankook Tire	South Korea	Consumer Discretionary	NH	5,699	0.3
Dairy Farm	China/Hong Kong	Consumer Staples	PS	5,504	0.3
COSCO Pacific	China/Hong Kong	Industrials	PS	5,392	0.3
Norilsk Nickel, ADR ^(c)	Russia	Materials	PS	5,285	0.2
Reliance Industries	India	Energy	PS	5,240	0.2

BAIC Motor	China/Hong Kong	Consumer Discretionary	NH	5,112	0.2
MultiChoice Group	South Africa	Communication services	NT	5,094	0.2
TOP 80 LARGEST INVESTMENTS				2,107,255	99.5

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

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

(c) US listed American Depositary Receipt.

Holding	Country	Sector^(a)	Trading^(b)	Fair Value £'000	% of net assets
MAHLE Metal Leve	Brazil	Consumer Discretionary	NT	5,017	0.2
TMK, GDR ^(f)	Russia	Energy	NT	4,901	0.2
KT Skylife	South Korea	Communication services	NT	4,470	0.2
Wiz Soluções e Corretagem	Brazil	Financials	NT	4,438	0.2
Primax Electronics	Taiwan	Information Technology	PS	4,420	0.2
Crédit Real	Mexico	Financials	PS	4,307	0.2
Security Bank	Philippines	Financials	NT	3,966	0.2
Biocon	India	Health Care	NT	3,723	0.2
BBVA Banco Francés, ADR ^(c)	Argentina	Financials	IH	3,703	0.2
Tata Motors	India	Consumer Discretionary	NT	3,084	0.1
TOP 90 LARGEST INVESTMENTS				2,149,284	101.4
Weifu High-Technology	China/Hong Kong	Consumer Discretionary	NT	2,887	0.1
PTT Exploration and Production	Thailand	Energy	PS	2,802	0.1
Interpark	South Korea	Consumer Discretionary	NT	1,756	0.1
Industrias Peñoles	Mexico	Materials	NT	1,674	0.1
United Bank	Pakistan	Financials	NT	1,472	0.1
iMarketKorea	South Korea	Industrials	PS	1,181	0.1
Univanich Palm Oil	Thailand	Consumer Staples	NT	1,163	0.1
Nigerian Breweries	Nigeria	Consumer Staples	NT	216	–
TOTAL INVESTMENTS				2,162,435	102.1
OTHER NET LIABILITIES				(44,287)	(2.1)
TOTAL NET ASSETS				2,118,148	100.0

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018.

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

(c) US listed American Depositary Receipt.

(f) UK listed Global Depositary Receipt.

Portfolio Summary

As at 31 March 2019^(a)

All figures are in %

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Total Equities	Other Net Liabilities ^(b)	31 March 2019 Total	31 March 2018 Total ^(a)
Argentina	–	–	–	–	0.2	–	–	–	–	–	–	0.2	–	0.2	0.2
Brazil	–	1.6	0.4	–	5.8	–	–	0.8	–	–	–	8.6	–	8.6	9.2
Cambodia	–	1.3	–	–	–	–	–	–	–	–	–	1.3	–	1.3	0.9
China/Hong Kong	5.4	9.4	1.4	2.4	4.9	–	0.3	–	0.5	–	–	24.3	–	24.3	22.0
Czech Republic	–	–	–	–	0.5	–	–	–	–	–	–	0.5	–	0.5	0.5
Hungary	–	–	–	–	–	0.9	–	–	–	–	–	0.9	–	0.9	0.9
India	–	0.1	–	0.5	4.4	1.1	–	1.1	0.5	–	–	7.7	–	7.7	5.1
Indonesia	–	1.3	–	–	2.2	–	–	–	–	–	–	3.5	–	3.5	3.8
Kenya	–	–	0.3	–	0.6	–	–	–	–	–	–	0.9	–	0.9	1.7
Mexico	–	0.3	–	–	2.0	–	–	–	0.1	–	–	2.4	–	2.4	2.2
Nigeria	–	0.0	–	–	–	–	–	–	–	–	–	0.0	–	0.0	0.0
Pakistan	–	–	–	–	0.8	–	–	–	–	–	–	0.8	–	0.8	1.2
Peru	–	–	–	–	0.4	–	–	–	0.8	–	–	1.2	–	1.2	3.5
Philippines	–	–	–	–	0.5	–	–	–	–	–	–	0.5	–	0.5	0.5
Russia	2.3	–	–	4.3	2.1	–	–	–	0.2	–	–	8.9	–	8.9	9.3
Saudi Arabia	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.5
South Africa	0.2	6.1	0.7	–	–	–	–	–	–	–	–	7.0	–	7.0	7.0
South Korea	1.8	0.7	0.3	0.4	–	–	2.2	7.3	1.0	–	–	13.7	–	13.7	15.3
Taiwan	–	0.3	–	–	0.5	–	–	8.8	–	–	–	9.6	–	9.6	10.1
Thailand	–	–	1.0	0.1	2.7	–	–	–	–	0.4	–	4.2	–	4.2	5.1
United Kingdom	–	–	3.2	–	–	–	–	–	–	–	–	3.2	–	3.2	3.2
United States	0.9	–	–	–	–	–	–	1.8	–	–	–	2.7	–	2.7	0.9
Other Net Liabilities	–	–	–	–	–	–	–	–	–	–	–	–	(2.1)	(2.1)	(3.1)
31 March 2019 Total	10.6	21.1	7.3	7.7	27.6	2.0	2.5	19.8	3.1	0.4	–	102.1	(2.1)	100.0	–
31 March 2018 Total^(a)	10.7	23.5	7.3	8.0	23.0	1.7	2.9	19.2	6.0	0.6	0.2	103.1	(3.1)	–	100.0

(a) The sectors reflect changes in the Global Industry Classification Standard ('GICS') with effect from 28 September 2018. The 31 March 2018 figures have been re-classified according to these changes.

(b) Other Net Liabilities represent the Company's net current liabilities per the Statement of Financial Position on page 73 of the full annual report.

Market Capitalisation Breakdown^(a) (%)	Less than £ 1.5bn	£1.5bn to £ 5bn	Greater than £ 5bn	Other Net Liabilities^(b)
31 March 2019	8.2	19.1	74.8	(2.1)
31 March 2018	8.0	15.4	79.7	(3.1)

Split Between Markets^(c) (%)	31 March 2019	31 March 2018
Emerging Markets	93.8	96.2
Frontier Markets	2.4	2.8
Developed Markets ^(d)	5.9	4.1
Other Net Liabilities ^(b)	(2.1)	(3.1)

(a) A glossary of alternative performance measures is included on page 98 of the full annual report.

(b) Other Net Liabilities represent the Company's net current liabilities per the Statement of Financial Position on page 73 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 in companies listed in the United Kingdom and United States.

Source: FactSet Research System, Inc.

Market Outlook

We continue to maintain a positive view on emerging markets. Market sentiment towards the asset class improved significantly in early 2019, as the headwinds in 2018 eased. A conciliatory stance by the Fed and advances in trade talks between the US and China were among the key drivers of this renewed optimism in emerging markets. While indications that the Federal Reserve will no longer raise interest rates in 2019 is supportive of this trend, the possibility that a trade agreement is not eventually reached remains a major risk. We believe that for the market rally to be sustainable, earnings need to improve. Improved corporate governance in emerging markets could also provide a basis for a longer-term rerating.

We believe that confidence in emerging markets could strengthen further based on several factors: economic growth differentials between emerging and developed markets are widening in the former's favour, emerging markets currencies appear undervalued despite balance of payment surpluses in many markets, ongoing reforms, solid underlying fundamentals, a robust emerging markets earnings outlook and undemanding valuations.

Emerging markets valuations have become increasingly attractive due to weakened confidence and performance in 2018, while cash flows and earnings generally remain resilient. Emerging markets earnings growth is expected to match or exceed that of the

US and developed markets in 2019, resuming the trend witnessed in 2017. These conditions, when paired with improving corporate governance that includes dividend pay-outs and buybacks, present an increasingly attractive long-term buying opportunity and should contribute to renewed confidence in the emerging markets asset class.

With our experienced research team and rigorous investment process, we believe that TEMIT is well-positioned to benefit from the continued growth of emerging markets.

Chetan Sehgal
Lead Portfolio Manager
5 June 2019

Statement of Directors' Responsibilities

In Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Details of the Directors and members of the committees are reported on pages 39 to 41 of the full annual report.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must be satisfied that the Financial Statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period.

In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.temit.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement

Each of the Directors, who are listed on pages 39 to 41 of the full annual report, confirms that to the best of their knowledge:

- The Financial Statements, which have been prepared in accordance with IFRS, give a fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the Company for the year ended 31 March 2019; and
- The Chairman's Statement, Strategic Report and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules; and
- The Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy, and include a description of principal risks and uncertainties.

By order of the Board

Paul Manduca

5 June 2019

Financial Statements

Statement of Comprehensive Income

For the Year Ended 31 March 2019

		Year ended 31 March 2019			Year ended 31 March 2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments and foreign exchange							
Gains/(losses) on investments at fair value	7	–	(3,892)	(3,892)	–	213,924	213,924
Gains/(losses) on foreign exchange		–	(6,184)	(6,184)	–	10,220	10,220
Revenue							
Dividends	2	59,230	–	59,230	60,319	–	60,319
Bank and deposit interest	2	439	–	439	168	–	168
		59,669	(10,076)	49,593	60,487	224,144	284,631
Expenses							
AIFM fee	3	(5,954)	(13,892)	(19,846)	(7,049)	(16,449)	(23,498)
Other expenses	4	(1,935)	–	(1,935)	(2,087)	–	(2,087)
		(7,889)	(13,892)	(21,781)	(9,136)	(16,449)	(25,585)
Profit/(loss) before finance costs and taxation							
		51,780	(23,968)	27,812	51,351	207,695	259,046
Finance costs		(1,111)	(2,603)	(3,714)	(1,161)	(2,703)	(3,864)
Profit/(loss) before taxation		50,669	(26,571)	24,098	50,190	204,992	255,182
Tax expense	5	(5,798)	(692)	(6,490)	(6,047)	(770)	(6,817)
Profit/(loss) for the year		44,871	(27,263)	17,608	44,143	204,222	248,365
Profit/(loss) attributable to equity holders of the Company		44,871	(27,263)	17,608	44,143	204,222	248,365
Earnings per share	6	17.26p	(10.48)p	6.78p	15.90p	73.56p	89.46p
Ongoing charges ratio^(a)				1.02%			1.12%

^(a) A glossary of alternative performance measures is included in Shareholder Information on page 98 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 76 to 90 in the full annual report are an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2019

	Note	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Non-current assets			
Investments at fair value through profit or loss	7	2,162,435	2,370,346
Current assets			
Trade and other receivables	8	11,612	9,002
Cash and cash equivalents		73,213	67,843
Total current assets		84,825	76,845
Current liabilities			
Bank loans	9	(124,844)	(144,690)
Trade and other payables	10	(2,654)	(762)
Capital gains tax provision	5	(1,578)	(927)
Total liabilities		(129,076)	(146,379)
Net current liabilities		(44,251)	(69,534)
Total assets less current liabilities		2,118,184	2,300,812
Share capital and reserves			
Equity Share Capital	11	68,045	69,480
Capital Redemption Reserve		14,624	13,189
Capital Reserve		1,492,845	1,667,608
Special Distributable Reserve		433,546	433,546
Revenue Reserve		109,124	116,989
Equity Shareholders' Funds		2,118,184	2,300,812
Net Asset Value pence per share ^(a)		842.5	846.0

(a) Based on shares in issue excluding shares held in treasury.

The Financial Statements on pages 72 to 90 in the full annual report were approved for issue by the Board and signed on 4 June 2019.

Paul Manduca
Chairman

Simon Jeffreys
Director

Statement of Changes in Equity

For the Year Ended 31 March 2019

		Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
	Note						
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	12	–	–	–	–	(23,137)	(23,137)
Purchase and cancellation of own shares	11	(926)	926	(26,198)	–	–	(26,198)
Purchase of shares into Treasury	11	–	–	(46,315)	–	–	(46,315)
Balance at 31 March 2018		69,480	13,189	1,667,608	433,546	116,989	2,300,812
Profit for the year		–	–	(27,263)	–	44,871	17,608
Equity dividends	12	–	–	–	–	(52,736)	(52,736)
Purchase and cancellation of own shares	11	(1,435)	1,435	(41,386)	–	–	(41,386)
Purchase of shares into Treasury	11	–	–	(106,114)	–	–	(106,114)
Balance at 31 March 2019		68,045	14,624	1,492,845	433,546	109,124	2,118,184

Statement of Cash Flows

For the Year Ended 31 March 2019

	Note	For the year to 31 March 2019 £000	For the year to 31 March 2018 £000
Cash flows from operating activities			
Profit before finance costs and taxation		27,812	259,046
Adjustments for:			
(Gains)/losses on investments at fair value	7	3,892	(213,924)
(Gains)/losses on foreign exchange		6,184	(10,220)
Stock dividends received in period		(511)	(157)
(Increase)/Decrease in debtors		287	(2,737)
Increase/(Decrease) in creditors		1,670	(2,017)
Cash generated from operations		39,334	29,991
Tax paid		(5,839)	(6,380)
Net cash inflow from operating activities		33,495	23,611
Cash flows from investing activities			
Purchases of non-current financial assets		(262,622)	(381,286)
Sales of non-current financial assets		458,308	398,826
Net cash inflow from investing activities		195,686	17,540
Cash flows from financing activities			
Equity dividends paid	12	(52,736)	(23,137)
Purchase and cancellation of own shares		(40,972)	(26,644)
Repurchase of shares into treasury		(106,543)	(45,886)
Movement in bank loans outstanding		(19,872)	61,161
Bank loan interest and fees paid		(3,688)	(4,067)
Net cash outflow from financing activities		(223,811)	(38,573)
Net increase in cash		5,370	2,578
Cash at the start of the year		67,843	65,265
Cash at the end of the year		73,213	67,843

Reconciliation of Liabilities Arising from Financing Activities

	Liability as at 31 March 2018 £000	Cash flows £000	Non-cash movements		Liability as at 31 March 2019 £000
			FX movement £000	Profit & Loss £000	
Bank Loan	144,551	(25,957)	6,085	–	124,679
Interest and fees	139	(3,707)	19	3,714	165
Total liabilities from financing activities	144,690	(29,664)	6,104	3,714	124,844

1 Accounting Policies

(a) Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations as issued by the IFRS Interpretations Committee of the IASB and adopted by the European Union (together “IFRS”). 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 insofar as the SORP is compatible with IFRS.

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 2019:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers

IFRS 9 and IFRS 15 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
IFRIC 23: Uncertainty over Income Statement Treatments	1 January 2019
IFRS 16: Leases	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 2019, the Company had net current liabilities of £44,251,000 (31 March 2018: £69,534,000). The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in preparing the Company’s Financial Statements. The Going Concern statement is set out on page 53 of the full annual report.

All financial assets and financial liabilities are recognised (or derecognised) 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 Statement of Comprehensive Income

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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented within the Statement of Comprehensive Income. 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 that 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 Statement of Comprehensive Income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital section of the Statement of Comprehensive Income.

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 Statement of Comprehensive Income. All other operating expenses are accounted for on an accruals basis and are charged through the revenue and capital sections of the Statement of Comprehensive Income 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 7; 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 Statement of Comprehensive Income. Finance costs are charged through the revenue and capital sections of the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income, 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 year-end 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 year-end 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 year-end 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 year-end 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 IFRS 9.

For all financial instruments not traded in an active market or where market price is not deemed representative of fair value, valuation techniques are employed to determine fair value. Valuation techniques include market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis making use of available and supportable market data as possible). Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment.

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 Statement of Comprehensive Income.

(h) Foreign currencies

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

(i) Financial instruments

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.

Bank Loans are classified as financial liabilities at amortised cost. They are initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income. The amortisation of direct issue costs is accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method.

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

2 Revenue

	2019 £'000	2018 £'000
Income from investments		
Non-EU dividends	55,690	56,168
UK dividends	1,666	2,443
Other EU dividends	1,363	1,562
Stock dividends	511	146
	59,230	60,319
Other revenue		
Bank and deposit interest	439	168
Total other income	59,669	60,487

3 AIFM fees

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
AIFM fee	5,954	13,892	19,846	7,049	16,449	23,498

The Company has a contract with FTIS as alternative investment fund manager.

The contract between the Company and FTIS, its AIFM 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 2018, the AIFM fee was reduced from 1% of net assets up to £2 billion and 0.85% of net assets above £2 billion to 1% of net assets up to £1 billion and 0.85% of net assets above £1 billion.

70% of the annual AIFM fee has been allocated to the capital account.

4 Other expenses

	2019 £'000	2018 £'000
Custody fees	803	881
Directors' remuneration	247	262
Shareholder communications and marketing	206	135
Depository fees	173	194
Membership fees	144	118
Registrar fees	81	74
Printing and postage costs	37	81
Auditor's remuneration		
Audit of the annual financial statements	33	32
Half Yearly financial report	6	5
Broker fees	30	16
Legal Fees	6	33
Other expenses	169	256
Total other expenses	1,935	2,087

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

5 Tax on ordinary activities

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	5,798	–	5,798	6,047	–	6,047
Overseas capital tax	–	41	41	–	333	333
Prior period adjustments	–	–	–	–	–	–
Total current tax	5,798	41	5,839	6,047	333	6,380
Deferred tax	–	651	651	–	437	437
Total tax	5,798	692	6,490	6,047	770	6,817

	2019 £'000	2018 £'000
Taxation		
Profit before taxation	24,098	255,182
Theoretical tax at UK corporation tax rate of 19% (2018: 19%)	4,579	48,484
Effects of:		
– Capital element of profit	1,914	(42,587)
– Irrecoverable overseas tax	5,798	6,047
– Excess management expenses	3,093	3,642
– Overseas Capital Gains Tax	41	333
– Income taxable in different periods	(27)	54
– Dividends not subject to corporation tax	(8,900)	(8,844)
– Movement in overseas capital gains tax liability	651	437
– UK dividends	(414)	(464)

– Overseas tax expensed	(245)	(285)
Actual tax charge	6,490	6,817

As at 31 March 2019 the Company had unutilised management expenses of £132.4 million carried forward (2018: £116.1 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	2019	2018
	£'000	£'000
Balance brought forward	927	490
Charge for the year	651	437
Balance carried forward	1,578	927
Provision consists of:		
– Overseas capital gains tax liability	1,578	927
	1,578	927

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

6 Earnings per share

	Revenue	2019	Total	Revenue	2018	Total
	£'000	Capital	£'000	£'000	Capital	£'000
Earnings	44,871	(27,263)	17,608	44,143	204,222	248,365

	Revenue	2019	Total	Revenue	2018	Total
	pence	Capital	pence	pence	Capital	pence
Earnings per share	17.26	(10.48)	6.78	15.90	73.56	89.46

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 259,970,471 (year to 31 March 2018: 277,618,959).

7 Financial assets – investments

	2019	2018
	£'000	£'000
Opening investments	2,370,346	2,165,950
Movements in year:		
Additions	263,370	378,953
Disposals	(467,389)	(388,481)
Realised profits	137,574	194,428
Net (depreciation)/appreciation	(141,466)	19,496
Closing investments	2,162,435	2,370,346

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

Transaction costs for the year on purchases were £478,000 (2018: £923,000) and transaction costs for the year on sales were £999,000 (2018: £1,026,000). The aggregate transaction costs for the year were £1,477,000 (2018: £1,949,000).

	2019	2018
	£'000	£'000
Realised and unrealised gains on investments comprise:		
Realised gain based on carrying value at 31 March	137,574	194,428
Net movement in unrealised (depreciation)/appreciation	(141,466)	19,496
Realised and unrealised (losses)/gains on investments	(3,892)	213,924

8 Trade and other receivables

	2019 £'000	2018 £'000
Dividends receivable	5,721	6,916
Sales awaiting settlement	3,124	227
Overseas tax recoverable	2,727	1,838
Other debtors	40	21
	11,612	9,002

9 Bank loans

	2019 £'000	2018 £'000
Bank loan repayable	124,679	144,551
Interest and fees	165	139
	124,844	144,690

10 Trade and other payables

	2019 £'000	2018 £'000
Accrued expenses	2,003	333
Amounts owed for share buy backs	414	429
Purchase of investments for future settlement	237	–
	2,654	762

11 Equity Share Capital

	2019 Allotted, issued & fully paid		2018 Allotted, issued & fully paid	
	£'000	Number	£'000	Number
Shares of 25p each				
Opening balance	69,480	271,962,342	70,406	281,623,986
Purchase and cancellation of own shares	(1,435)	(5,737,604)	(926)	(3,705,033)
Purchase of shares into treasury	–	(14,808,568)	–	(5,956,611)
Closing balance	68,045	251,416,170	69,480	271,962,342

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, 5,737,604 shares were bought back for cancellation at a cost of £41,386,000 (2018: 3,705,033 shares were bought back for cancellation at a cost of £26,198,000). Additionally, the Company bought back 14,808,568 shares and placed them in treasury for a total consideration of £106,114,000 (2018: 5,956,611 shares were placed into treasury for a total consideration of £46,315,000).

As at 31 March 2019 the Company held 20,765,179 shares in treasury (2018: 5,956,611 shares).

12 Dividend

	2019 Rate (pence)	2019 £'000	2018 Rate (pence)	2018 £'000
Declared and paid in the year				
Dividend on shares:				
Final dividends for the years ended 31 March 2018 and 31 March 2017	15.00	39,982	8.25	23,137
Interim dividend for the period 1 April 2018 to 30 September 2018	5.00	12,754	n/a	n/a
Proposed for approval at the Company's AGM				
Dividend on shares:				
Final dividend for the year ended 31 March 2019	11.00	27,483		

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.

13 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 2019, which have a material effect on the results or the financial position of the Company.

14 Risk management

In pursuing the Company Objective, set out on page 9 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 in 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 counterparty 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% (2018: 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 Statement of Comprehensive Income capital return and the net assets attributable to equity shareholders would have decreased by £216,243,540 (2018: £237,034,635). 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 on which 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:

2019					
Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank and loans and other payables £'000	Total net foreign currency exposure £'000	Investments at fair value through profit or loss £'000
US dollar	147	–	(7,704)	(7,557)	548,757
Hong Kong dollar	3,091	–	–	3,091	347,148
Korean won	4,279	69	(82)	4,266	289,265
Taiwan dollar	2,265	–	–	2,265	199,155
Indian rupee	175	–	(1,578)	(1,403)	162,221
Other	1,615	155	(156)	1,614	548,595

2018					
Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank and loans 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

The above tables are based on the currencies of the country where shares are listed rather than the underlying currencies of the countries where the companies earn revenue.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and of 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.

	2019		2018	
Financial Assets and Liabilities	Revenue £'000	Capital Return £'000	Revenue £'000	Capital Return £'000
US dollar	1,566	54,876	1,526	60,913
Hong Kong dollar	1,015	34,715	487	33,631
Korean won	832	28,927	803	35,311
Taiwan dollar	735	19,916	825	22,509
Indian rupee	181	16,222	175	11,749
	4,329	154,656	3,816	164,113

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 2019 £'000	Within one year 2018 £'000
Bank loans	(124,844)	(144,690)
Cash	73,213	67,843
Net exposure at year end	(51,631)	(76,847)

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:

	2019		2018	
	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	358	(358)	244	(244)
Capital	(874)	874	(1,013)	1,013
Total	(516)	516	(769)	769

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 a significant period 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 Statement of Financial Position at fair value.

Counterparty and 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 year-end 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 2019				31 March 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed investments	2,115,417	–	47,018 ^(a)	2,162,435	2,370,346	–	–	2,370,346

^(a) The fair value of the Company's holding in Bank Danamon Indonesia as at 31 March 2019 was £47,018,000. Prior to year-end, the Company accepted a tender offer from MUFG for the entire holding. Due to the tender offer, the market price was not deemed representative of fair value and, in accordance with accounting policy 1(g), the company valued the investment using the income approach. The year-end balance comprises of £45,556,000 transferred out of level 1 into level 3 and an unrealised gain of £1,462,000 resulting from the valuation technique applied.

The unobservable inputs used in this technique were the stated offer price and payment date as per the tender document and the Company's weighted average cost of capital applied as the discount rate. The valuation is not considered sensitive to these inputs as the Company received full payment of the tender offer on 29 April 2019.

15 Significant holdings

As at 31 March 2019 and 2018, TEMIT held 3% or more of the issued class of capital in the following holdings in the portfolio:

Name	31 March 2019		31 March 2018	
	Issued share capital held by TEMIT ^(a) %	Fair Value £'000	Issued share capital held by TEMIT ^(a) %	Fair Value £'000
SABIC, Participatory Note	–	–	12.1	10,643

^(a) This is the percentage of the class of security held by TEMIT.

16 Contingent liabilities

No contingent liabilities existed as at 31 March 2019 or 31 March 2018.

17 Financial commitments

There were no financial commitments as at 31 March 2019 or 31 March 2018.

18 Events after the reporting period

There were three material events after the reporting period:

- the proposed final dividend, which has been disclosed in Note 12;
- the conditional tender announcement, which has been disclosed in the Chairman’s Statement on pages 6 and 7 of the full annual report.
- On 15 May 2019, TEMIT entered into a securities lending agreement with JPMorgan Chase Bank, to enable TEMIT to lend its securities to an approved list of borrowers.

The statutory accounts for the financial period ended 31st March 2018 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 2019 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.