

ANNUAL REPORT AND FINANCIAL STATEMENTS TO 31 MARCH 2019

TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC

Shanghai, China

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Company Overview

Launched thirty years ago in June 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%)

Share price total return 2019^(a)

6.0%

(2018: 13.7%)

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

0.1%

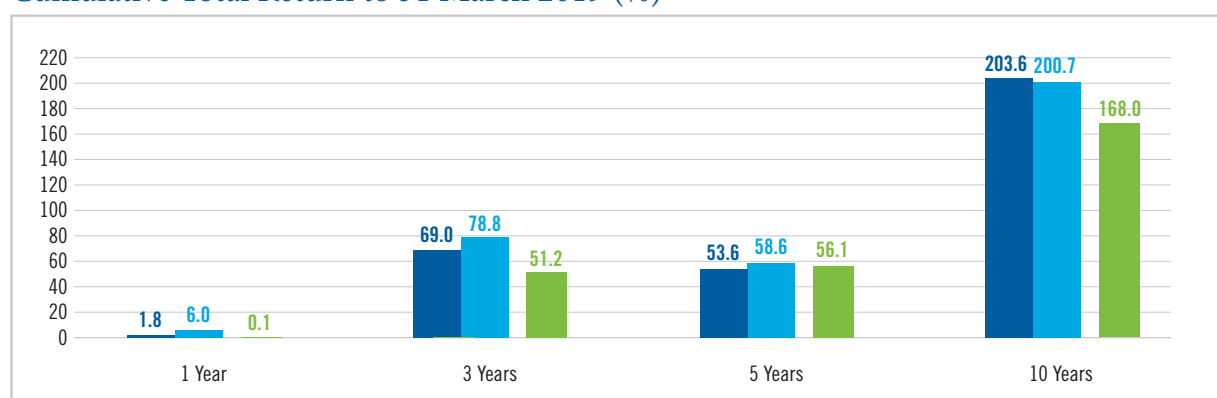
(2018: 11.8%)

Proposed total annual dividend 2019^(c)

16.00p

(2018: 15.00p)

Cumulative Total Return to 31 March 2019 (%)



- Net asset value (cum-income)
- Share Price
- MSCI Emerging Markets Index

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

^(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.

^(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 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.

^(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.

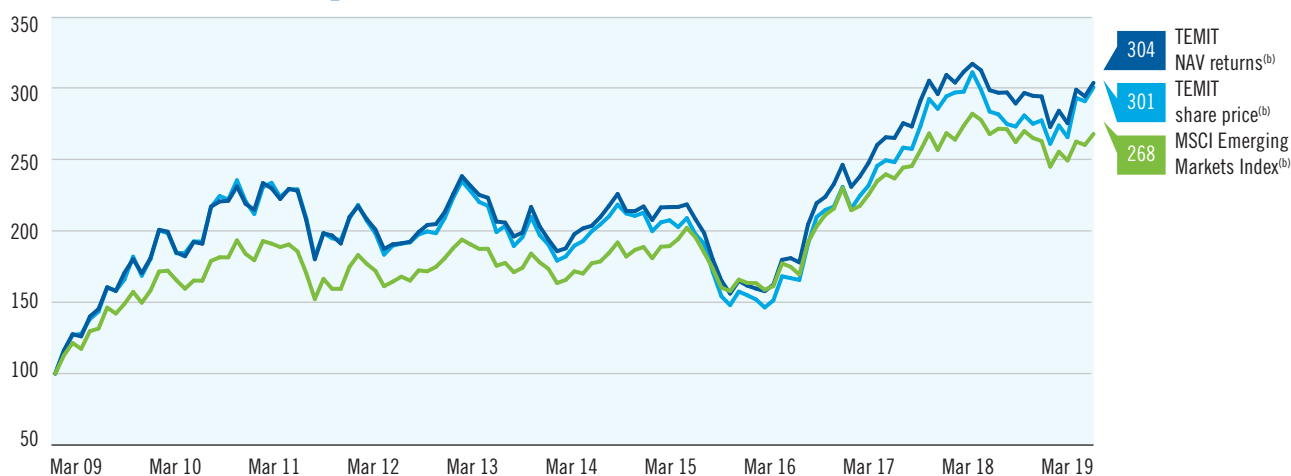
^(c) Excludes the special dividend of 2.50 pence per share in 2009.

^(d) 11 months to 31 March 2010.

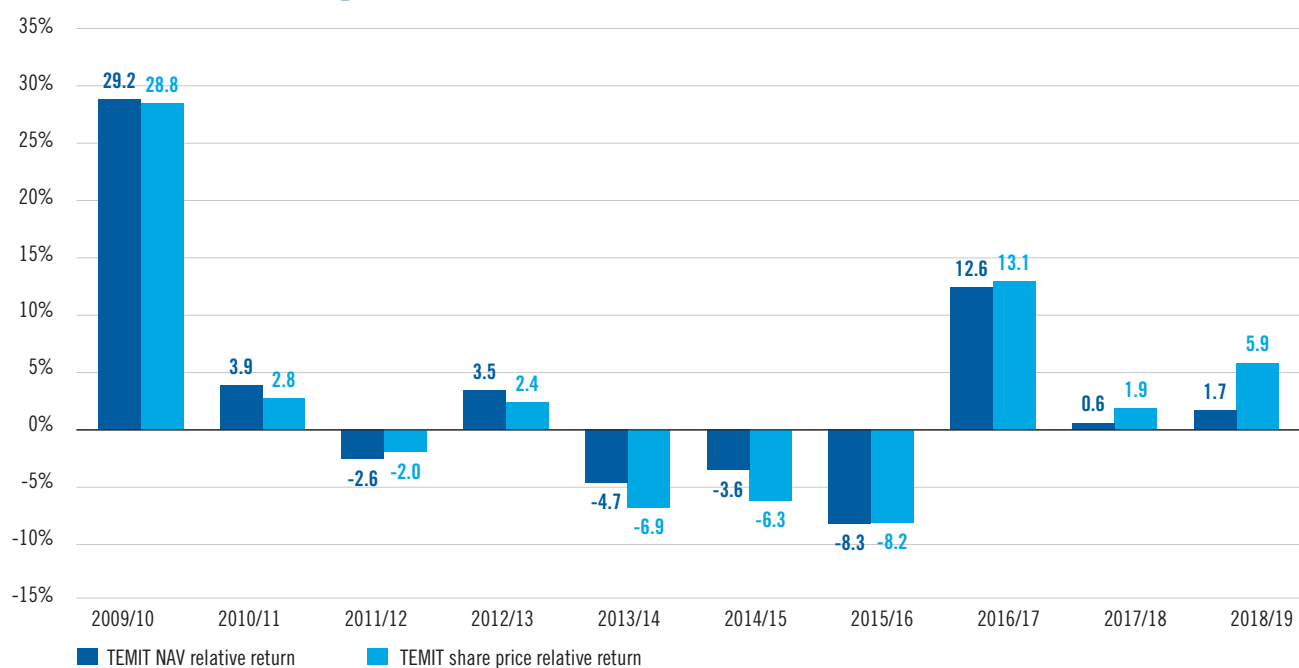
^(e) An annual dividend of 16.00 pence per share for the year ended 31 March 2019 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 16 January 2019 and a final dividend of 11.00 pence per share.

Ten Year Growth Record (continued)

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 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.

Chairman's Statement (continued)

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

Chairman's Statement (continued)

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.

Chairman's Statement (continued)

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, 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 this report.

Paul Manduca

Chairman

4 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 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.

Strategy and Business Model (continued)

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 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.

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 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, 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. 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.

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 10 year records of the KPIs are shown on pages 3 and 4.

Net asset value performance

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

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

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

Strategy and Business Model (continued)

Share price and discount

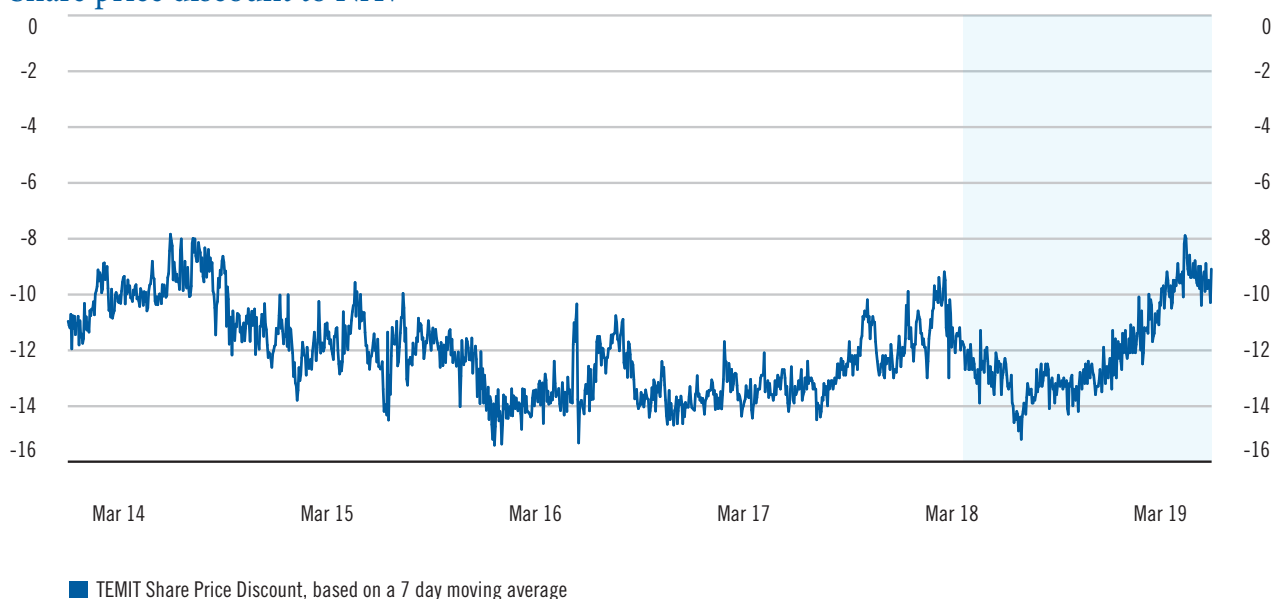
Details of the Company's share price and discount are presented within the Financial Summary on page 2. On 22 May 2019, the latest date for which information was available, the discount had widened to 10.3%.

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.

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

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.

Strategy and Business Model (continued)

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.

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.

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. 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.

Strategy and Business Model (continued)

Risk	Mitigation
<p>Counterparty and Credit</p> <p>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.</p>	<p>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.</p>
<p>Operational and custody</p> <p>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>	<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>
<p>Key personnel</p> <p>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.</p>	<p>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.</p>
<p>Regulatory</p> <p>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.</p>	<p>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.</p>
<p>Cyber</p> <p>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>	<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>

Strategy and Business Model (continued)

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 this 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.

Strategy and Business Model (continued)

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.

Strategy and Business Model (continued)

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

4 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.

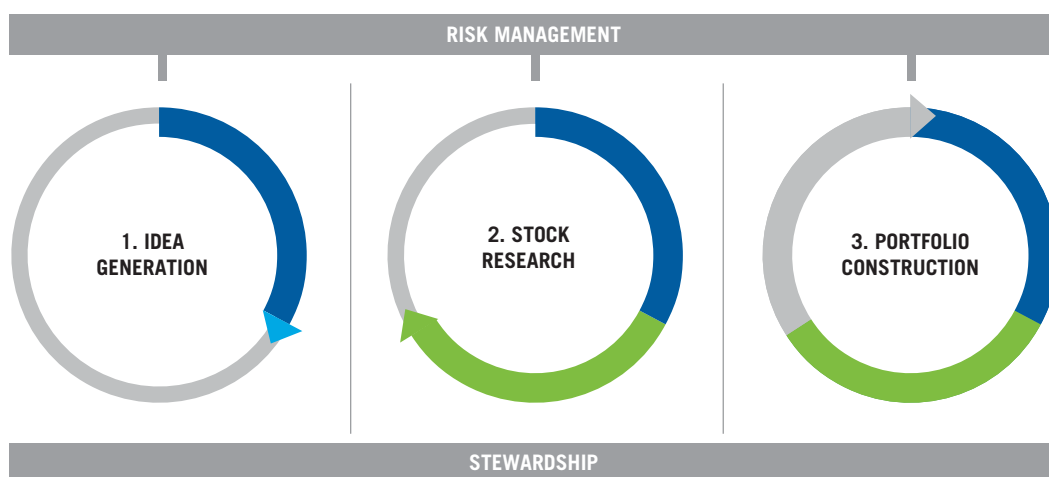
The team's information advantage lies in its extensive locally-based emerging markets resource, providing valuable local access to companies and expertise. This, combined with an investment approach that is robust, scalable, and continuously refined allows the team to provide investors with access to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

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

Independent

- Strengthened by an independent risk team

Insightful

- Powered by actionable insights

PORTFOLIO MANAGERS

The approach

- Strong risk management begins with the portfolio management team’s research process and the assessment of market and active risk
- 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
- 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.

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.

Portfolio Report (continued)

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

Portfolio Report (continued)

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.

Portfolio Report (continued)

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.

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

Portfolio Report (continued)

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.

Portfolio Report (continued)

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.

Portfolio Report (continued)

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.

Portfolio Report (continued)

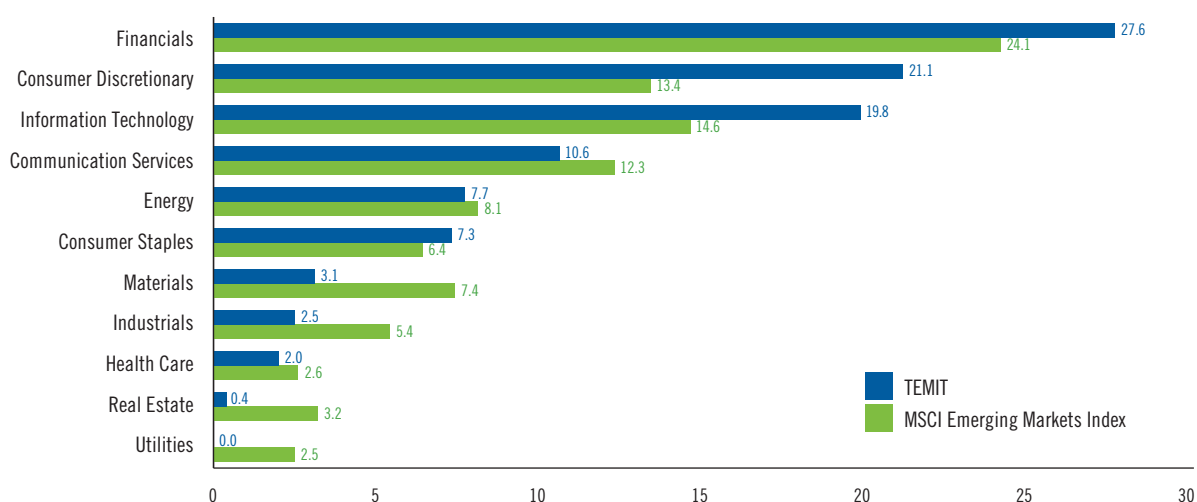
Portfolio changes by Sector^(a)

Sector	31 March 2018 Market Value ^(a) £m	Purchases £m	Sales £m	Market Movement £m	31 March 2019 Market Value £m	Total Return in sterling	
						TEMIT %	MSCI Emerging Markets Index %
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.

Portfolio Report (continued)

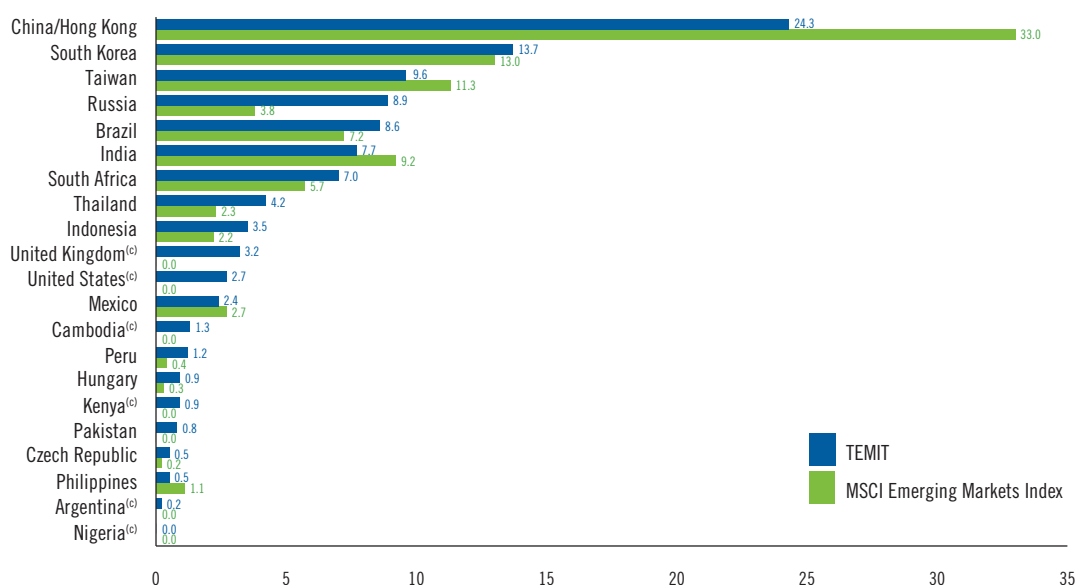
Portfolio changes by Country

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.

^(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 Report (continued)

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.

Portfolio Report (continued)

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.

Portfolio Report (continued)

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.

Portfolio Report (continued)

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.

Portfolio Report (continued)

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 Report (continued)

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)	(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.

Portfolio Report (continued)

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.

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

^(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

4 June 2019

Report of the Directors and Governance

Directors' Report

The Directors submit their Annual Report, together with the Financial Statements of the Company, for the year ended 31 March 2019.

Board of Directors

Paul Manduca (Chairman)

Paul Manduca was appointed to the Board and the Management Engagement Committee on 1 August 2015. Paul took over as Chairman on 20 November 2015. He was appointed to the Nomination and Remuneration Committee on 22 February 2016 and is Committee Chairman. He is currently Chairman of Prudential plc, one of the world's leading financial services groups with significant emerging market exposure. Paul has had a long and successful career in asset management, both as a fund manager and as chief executive of fund management groups.

He is an independent Director.

Length of service: 3 years and 9 months

Attendance Record: Board 4/4, Nomination and Remuneration Committee 1/1 and Management Engagement Committee 1/1.

David Graham

David Graham joined the TEMIT Board and Audit Committee on 1 September 2016. He was appointed to the Management Engagement Committee on this date and was appointed to the Nomination and Remuneration Committee on 12 July 2018.

David is a Chartered Accountant whose career was in investment management, firstly as an Asian fund manager with Lazards and then building businesses across Asia Pacific, Europe, Middle East and Africa for BlackRock and predecessor firms (Merrill Lynch Investment Managers and Mercury Asset Management.) David has worked in Hong Kong, Tokyo and Sydney and has been a Representative Director in domestic, joint venture, fund management companies in India, China, Thailand and Taiwan.

David is also non-executive Director on the boards of the JPMorgan Chinese Investment Trust, Fidelity Japan Trust, DSP India Investment Fund and DSP India Fund.

He is an independent Director.

Length of service: 2 years and 8 months

Attendance Record: Board 4/4, Audit Committee 3/3, Management Engagement Committee 1/1 and Nomination and Remuneration Committee 1/1.

Directors' Report (continued)

Beatrice Hollond

Beatrice Hollond joined the TEMIT Board and the Audit Committee on 1 April 2014. She was also appointed to the Management Engagement Committee on this date and to the Nomination and Remuneration Committee on 22 February 2016. Beatrice was appointed Senior Independent Director on 12 July 2018.

Beatrice Hollond is a non-executive Director of M&G Group Limited, a main Board Director and Chair of Remco (US) and Chairman of International Advisory Board (UK) of Brown Advisory. She is senior independent non-executive Director and Chairman of the Audit Committee of The Henderson Smaller Companies Investment Trust plc. Beatrice is a non-executive Director of Telecom Plus PLC, Chair-Elect of Foreign & Colonial Investment Trust PLC, adviser to a private family office and a member of the Advisory Board of Hambro Perks Limited. She had a long career in the investment industry, starting as UK equity analyst at Morgan Grenfell, before spending 16 years at Credit Suisse Asset Management. Beatrice has experience as a fund manager, as well as 13 years as a non-executive Director in the investment trust sector. She is the Senior Independent Director.

Length of service: 5 years and 1 month

Attendance Record: Board 4/4, Audit Committee 2/3, Nomination and Remuneration Committee 1/1 and Management Engagement Committee 1/1.

Simon Jeffreys

Simon Jeffreys joined the TEMIT Board on 15 July 2016 and became Chairman of the Audit Committee on 13 July 2017. He was appointed to the Management Engagement Committee on 15 July 2016 and to the Nomination and Remuneration Committee on 25 February 2019.

Simon has been Chairman of Aon UK Ltd since November 2015; he chaired the Audit Committee from 2009 to 2015.

Simon has been a non-executive Director of St James Place plc since 2014 and is Chair of their Audit Committee and a member of their Remuneration, Nomination and Risk Committees. Simon is on the Board of Directors and chairs the audit committees of SimCorp A/S (since 2011), and the Crown Prosecution Service (since 2018), and is Chairman of Henderson International Income Investment Trust.

He was a senior audit partner in PricewaterhouseCoopers for most of his professional career, where he was the global leader of the firm's investment management and real estate practice. Simon was the Chief Administrative Officer for Fidelity International, and then the Chief Operating Officer of The Wellcome Trust.

He is an independent Director.

Length of service: 2 years and 10 months

Attendance Record: Board 4/4, Audit Committee 3/3 and Management Engagement Committee 1/1.

Directors' Report (continued)

Gregory E Johnson

Gregory Johnson was appointed to the Board on 12 December 2007. He is the Chairman of the Board and Director of Franklin Resources, Inc., and serves as the Chief Executive Officer of the company. Mr. Johnson serves as a trustee, director or officer on a number of Franklin Resources subsidiaries and fund boards. He joined Franklin Resources in 1986 and has held numerous roles within the company.

Length of service: 11 years and 5 months

Attendance Record: Board 4/4.

Charlie Ricketts

Charlie Ricketts joined the TEMIT Board on 12 July 2018. He was also appointed to the Management Engagement Committee on this date and to the Nomination and Remuneration Committee on 25 February 2019.

With over 30 years' experience in the investment trust sector, Charlie brings a wealth of experience to the Board. He was Head of Investment Funds at Cenkos Securities for 8 years and prior to that was Managing Director, Head of Investment Companies at UBS Investment Bank. Since stepping down from Cenkos in 2014 he has pursued a number of business and charitable interests. Charlie is a non-executive director of Edinburgh Dragon Trust plc.

He is an independent director.

Length of service: 10 months

Attendance Record: Board 3/3, Audit Committee 3/3 and Management Engagement Committee 1/1.

Details of the fees earned by each Director in the year can be found on page 55. The Directors' interest in the Company's shares are noted on page 57.

Directors' Report (continued)

The terms and conditions of the Directors' appointments are set out in their Letters of Appointment, which are available for inspection on request at the registered office of the Company and at the AGM.

Board Changes and Succession Planning

Hamish Buchan, retired at the conclusion of the 2018 AGM, Beatrice Hollond was appointed as the Senior Independent Director following the conclusion of the 2018 AGM.

Charlie Ricketts joined the Board at the following shareholder approval at the AGM on 12 July 2018. He is an experienced investment professional with a wealth of investment management, marketing and corporate brokering experience.

As noted below the Nomination and Remuneration Committee considers succession planning as part of its responsibilities, making Recommendations to the Board when required.

Board Committees

The **Audit Committee** comprises Simon Jeffreys (Chairman), David Graham, Beatrice Hollond and Charlie Ricketts. The formal Report of the Audit Committee is on pages 58 to 62.

The **Management Engagement Committee** comprises Paul Manduca (Chairman), David Graham, Beatrice Hollond, Simon Jeffreys and Charlie Ricketts. The role of the Committee is to review the performance of, and the contractual arrangements with the Manager. The Management Engagement Committee undertook a formal review of TEMIT's portfolio management and risk management during the year. The review considered investment strategy, investment process, performance and risk, and was carried out through meetings between the Management Engagement Committee and members of the investment and risk management teams of the Manager.

In February 2019, the **Nomination Committee** changed name to the Nomination and Remuneration Committee and comprises Paul Manduca (Chairman), David Graham, Beatrice Hollond, Simon Jeffreys and Charlie Ricketts. The role of the Committee is to review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that seem appropriate, to consider the rotation and renewal of the Board, approve the candidate specification for all Board appointments, approve the process by which suitable candidates are identified and short-listed, and to nominate candidates for consideration by the full Board, whose responsibility it is to make appointments. The Committee also considers the effectiveness of individual Directors and makes recommendations to the Board in respect of re-elections. The Committee keeps under review the balance of skills, independence, knowledge of the Company and experience and length of service of the Directors. When the composition of the Board requires review, female candidates will be encouraged to apply, and progress will be actively monitored in relation to diversity. An external search consultant will be used to assist with the selection of candidates for all new appointments.

Directors' Report (continued)

The Committee periodically reviews the level of Directors' fees relative to other comparable companies and in the light of the Directors' responsibilities. The Chairman of the Nomination and Remuneration Committee attends the Company's AGM and is prepared to respond to questions which may be raised by shareholders on matters within the Nomination and Remuneration Committee's responsibilities.

A copy of the terms of reference for the Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee are available to shareholders on the TEMIT website (www.temit.co.uk) or upon request via Client Dealer Services using the contact details provided on the inside back cover of this report.

The Board

The primary focus of the Directors at regular Board meetings is the consideration of investment performance and outlook, market activity, discount management mechanisms including share buy-backs, gearing, marketing, shareholder register analysis, investor relations, peer group information, review of top risks and investment risk reporting, regulatory updates, corporate governance and industry issues.

Further details of the Directors' responsibilities can be found in the Statement of Directors' Responsibilities on page 63.

In addition to the primary focus of the Board, the following important matters were considered at Board meetings during the year:

- Succession plan for Portfolio team;
- Review of three-year marketing plan and contribution to marketing costs from the Manager;
- Agreement reached with the Manager on a revised management fee;
- Approval of interim dividends;
- Introduction of stock lending; and
- Consideration of the conditional tender offer.

Board Evaluation

The Board undertakes an annual evaluation of its own performance and that of its Committees and individual Directors including the Chairman. The Board has also considered the independence of each Director, including the Chairman.

In the last year, the Chairman led the evaluation process which included the completion of questionnaires and discussions between the Chairman and each Director. The experience, balance of skills, diversity and knowledge of the Board was considered as well as Board effectiveness, role and structure. An evaluation of the Chairman by his fellow Directors was facilitated by Beatrice Hollond, the Senior Independent Director, who met with the Chairman to discuss its content.

The Chairman confirms that, following performance evaluation, each Director's performance continues to be effective, demonstrating commitment to their role and each Director is recommended for re-election at the AGM. The Chairman also confirms that each Committee's performance continues to be effective in fulfilling its responsibilities and duties.

Directors' Report (continued)

Formal performance evaluations will continue to take place at least annually with the appointment of an external facilitator every three years. The next appointment of an external facilitator is due to be made in 2021.

Directors' Conflicts of Interest

The Company's Articles give the Directors authority to approve conflicts and potential conflicts with the Company's interests, where appropriate.

There are safeguards which apply when Directors decide whether to authorise a conflict or potential conflict and these have been operated effectively. Firstly, only Directors who have no interest in the matter being considered can make the relevant decision, and secondly, in taking the decision the Directors must act in a way that they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think that this is appropriate.

The Company maintains a register of Directors' conflicts of interest which has been disclosed and approved by the other Directors. Directors are reminded at each Board meeting to disclose any conflicts not previously disclosed.

Gregory Johnson is not present when the performance of the Manager and Investment Manager are considered.

Indemnification and Insurance

The Company has entered into deeds of indemnity with each of the Directors. These are qualifying third-party indemnity provisions and are in force as at the date of this report. This information is disclosed in accordance with Sections 236(2) and 236(3) of the 2006 Act. The Company maintains appropriate insurance cover in respect of legal action against the Directors.

Directors' Report (continued)

The Company

Principal Activity and Investment Company Status

The Company is a public limited company in terms of the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006.

The Company has been accepted as an approved investment trust by HM Revenue & Customs for accounting periods commencing on or after 1 April 2012, subject to continuing 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 Directors are satisfied that the Company intends to direct its affairs to ensure its continued approval as an investment trust.

The Company is an AIF under the European Union's Alternative Investment Fund Managers Directive.

Results and Dividends

The capital loss for the year was £27.3 million (2018: gain of £204.2 million) and the revenue profit was £44.9 million (2018: £44.1 million).

The full results for the Company are disclosed in the Statement of Comprehensive Income on page 72.

The Directors propose a final ordinary dividend of 11.00 pence per share. Including the interim dividend of 5.00 pence per share, this represents an annual dividend of 16.00 pence per share (2018: 15.00 pence per share) and, if approved by shareholders at the AGM on 11 July 2019, the final dividend will be payable on 18 July 2019 to shareholders on the register at close of business on 14 June 2019.

Gearing

As part of the Company's investment objective and policy, the Company may borrow up to 10% of its net assets. On 31 January 2017, the Company entered into a three-year unsecured, multi-currency, revolving loan facility with The Bank of Nova Scotia, London Branch. During the year, the agreement was amended allowing the Company to borrow up to £220m with drawings available in pounds sterling, US dollars and Chinese renminbi (CNH). The maximum amount of CNH that 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.

At the year end, £117.0 million and USD 10.0 million (£7.7 million) had been drawn down and are repayable within one year (2018: £49.5 million and USD 133.3 million (£95.1 million)). The Company has no other debt.

Directors' Report (continued)

Financial

Share Capital

Changes in the share capital of the Company are set out in Note 11 of the Notes to the Financial Statements.

Share Buy Backs

The Board is again seeking shareholder permission to continue its programme of share buy backs as outlined on page 52. A key point in the Investment Manager's mandate is to take a long-term view of investments and one of the advantages of a closed end fund is that the portfolio structure is not disrupted by large inflows or outflows of cash. However, the Board and the Investment Manager recognise that the returns experienced by shareholders are in the form of movements in the share price, which are not directly linked to NAV movements, and the shares may trade at varying discounts or premiums to NAV. Many shareholders, both professional and private investors, have expressed a view that a high level of volatility in the discount is undesirable. A less volatile discount, and hence share price, is seen as important to investors. For this reason, TEMIT uses share buy backs selectively with the intention of limiting volatility and where it is in the interests of shareholders.

	2019	2018
Shares bought back and cancelled during the year	5,737,604	3,705,033
Proportion of share capital bought back and cancelled	2.1%	1.3%
Shares bought back and placed into treasury during the year	14,808,568	5,956,611
Proportion of share capital bought back and placed into treasury	5.5%	2.1%
Total share capital bought back	20,546,172	9,661,644
Total cost of share buy backs	£147.5m	£72.5m
The benefit to NAV	£21.1m	£10.3m
The percentage benefit to NAV	1.0%	0.4%

Auditor

The Audit Committee has recommended that Ernst & Young LLP be appointed as the Company's auditor. Ernst & Young LLP has expressed a willingness to accept office as auditor and a resolution proposing their appointment will be submitted at the AGM. Further details on the assessment of the auditor can be found within the Report of the Audit Committee on page 62.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor was unaware and that each Director had taken all steps that they ought to have taken as a Director to make themselves apprised of any relevant audit information and to establish that the Company's auditor was notified of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of Section 418 of the Companies Act 2006.

Directors' Report (continued)

Substantial Shareholdings

As at 22 May 2019 and 31 March 2019, the Company had been notified that the following were interested in 3% or more of the issued share capital of the Company.

Name	Number of shares	22 May 2019 %
City of London Investment Management Company Limited	34,966,253	14.00
Lazard Asset Management LLC Group	23,064,534	9.23
Investec Wealth & Investment Limited	15,942,817	6.38
Quilter Investors	13,424,612	5.37
Rathbone Brothers PLC	10,206,200	4.08
Equiniti Investment Account	7,243,025	2.90

Name	Number of shares	31 March 2019 %
City of London Investment Management Company Limited	35,447,749	14.10
Lazard Asset Management LLC Group	25,368,504	10.09
Investec Wealth & Investment Limited	17,233,887	6.85
Quilter Investors	13,343,118	5.31
Rathbone Brothers PLC	10,396,884	4.14
Equiniti Investment Account	7,936,684	3.16

Principal Service Providers

Alternative Investment Fund Manager, Secretary and Administrator

FTIS is the Alternative Investment Fund Manager, Secretary and Administrator with the role of investment management delegated to Templeton Asset Management Ltd. ("TAML") and Franklin Templeton Investment Management Limited ("FTIML"). Portfolio Managers from TAML and FTIML form part of the wider Franklin Templeton Emerging Markets Equity group ("FTEME").

The main secretarial duties involve compliance with statutory and regulatory obligations which the Company must observe.

The annual ad valorem fee rate for the services provided by FTIS, including investment management, risk management, secretarial and administration services, was 1% of net assets up to £2 billion and 0.85% of net assets above £2 billion to 30 June 2018. With effect from 1 July 2018, the annual AIFM fee was reduced to 1% of net assets up to £1 billion and 0.85% of net assets above £1 billion. The agreement between the Company and FTIS may be terminated by either party, given one year's notice, but in certain circumstances the Company may be required to pay compensation to FTIS of an amount up to one year's fee in lieu of notice. No compensation is payable if at least one year's notice of termination is given.

Directors' Report (continued)

Details of the Remuneration Policy of the AIFM and amounts attributable to the Company are available to existing shareholders upon request at the registered office of the Company.

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis, and a formal review is conducted annually by the Management Engagement Committee, which consists solely of Directors independent of Franklin Templeton. Gregory Johnson is not present when the Manager's and Investment Manager's performance is reviewed. When assessing the performance of the Manager and Investment Manager, the Board believes it is appropriate to make this assessment over a medium to long-term timeframe, which is in accordance with the long-term approach taken to investment. In the opinion of the Directors, the continuing appointment of FTIS is in the best interests of the shareholders as a whole.

Depository and Custodian

J.P Morgan Europe Limited performs the role of depository and JPMorgan Chase Bank performs the role of custodian. The agreements in place may be terminated by either party giving the other 90 days' notice.

A detailed list of service providers, along with addresses, can be found in the General Information section on page 96.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the shareholders for good governance and this statement describes how governance principles have been applied.

Association of Investment Companies Code of Corporate Governance (the "AIC Code")

The Board considers that reporting against the principles of the Code issued by Association of Investment Companies (the "AIC"), and by reference to the AIC Guide (that incorporates the UK Corporate Governance Code), will provide helpful information to the shareholders.

Throughout the year ended 31 March 2019, the Company complied with the provisions of the AIC Guide and AIC Code. In February 2019, the AIC published the new Corporate Governance Code. The Board has started the process of implementing the new Code during 2019.

A statement explaining TEMIT's compliance with the AIC Code principles can be found at www.temit.co.uk.

Directors' Report (continued)

Additional Information for New Zealand Shareholders

As a result of a requirement for Overseas Issuers listed on the New Zealand Stock Exchange, the following should be noted by New Zealand shareholders:

- The corporate governance rules and principles in TEMIT's home exchange jurisdiction of the United Kingdom may materially differ from the New Zealand Stock Exchange ("NZX") corporate governance rules and the principles of the NZX Corporate Governance Code;
- Investors may find more information about the corporate governance and principles of TEMIT's home exchange in the United Kingdom in the above Corporate Governance statement and online at www.frc.org.uk/corporate/ukcgcode.cfm; and
- The Company relies on the Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2016, issued by the New Zealand Financial Markets Authority, which exempts it from certain financial reporting obligations under the Financial Markets Conduct Act 2013.

Schedule of Reserved Matters

The Board has formally adopted a Schedule of Reserved Matters, which details the matters which the Board has agreed are specifically reserved for their collective decision. These matters include, inter alia, approval of the Half-Yearly and Annual Financial Statements, recommendation of the dividend, approval of any preliminary results announcements of the Company, approval of any proposed changes to the Company's investment objective and/or policy, appointment or removal of the Company's Manager or Investment Manager, gearing, Board membership and Board committee membership and any major changes to the investment objective, philosophy or policy of the Company, other than any such changes delegated to the Investment Manager under the Investment Management Agreement.

The day to day investment management of the portfolio of the Company is delegated to the Investment Manager, who manages the portfolio in accordance with the investment objectives of the Company as set by the Board.

Environmental, Social and Governance

Details of the Company's approach to environmental, social and governance issues can be found on pages 15 and 16.

Activities in the Field of Research and Development

The Company does not undertake activities in the field of research and development.

Disclosures in Strategic Report

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2016, to include in the Strategic report likely future developments in the Company's business as well as information relating to the Company's greenhouse gas emissions, diversity, and the Modern Slavery Act 2015.

Directors' Report (continued)

Institutional Shareholder Voting and Engagement

As an institutional investor, the Company recognises its responsibility that the companies in which it invests should aspire to appropriate levels of corporate governance. As a matter of policy, the Company aims to utilise its votes in shares held in the relevant underlying portfolio companies at the general meetings of these companies.

The Directors discussed with the Investment Manager the approach to the Stewardship Code ("the Code"). The Company and the Investment Manager generally support the Principles of the Code as outlined below.

On-going monitoring of investee companies and dialogue with management are fundamental to the Investment Manager's investment approach. The strategy on intervention with investee companies is dealt with on a case-by-case basis and is usually a judgement made by the Investment Manager based on the research done on each investee company for the investment decision making process. In all cases, the Investment Manager holds regular review meetings with the senior management of investee companies.

At the same time, there may be instances in which "activism" is not consistent with the Investment Manager's fiduciary duty. For example, in the process of company research and monitoring, a significant problem or risk may be identified, and the Investment Manager may decide that it is better to sell a position than to seek to undertake a lengthy engagement with management.

The Investment Manager has adopted proxy voting policies and procedures which cover voting guidelines, processing and maintenance of proxy records and conflicts of interest.

Summary information on the exercise of proxies is reviewed quarterly by the Board. Voting records for the Company detailing the proxies voted for investee companies are not currently published. The Company considers that there is limited demand for such detailed disclosure and therefore the administrative burden and expense is not justified.

Risk Management Objectives and Policy

The Company invests in equities and other investments for the long term to achieve its objective, as stated on page 9. This creates potential exposure to the risks as stated on pages 13 and 14. Further details on the AIFMD risk disclosures can be found on the Company's website.

Internal Control

Details of the Company's system of internal controls can be found on pages 60 and 61.

Directors' Report (continued)

Annual General Meeting

The AGM will be held on Thursday 11 July 2019 at The Honourable Artillery Company, City Road, London, EC1Y 2BQ.

Only those members registered on the Company's register at 6:30 pm on 9 July 2019 or their duly authorised proxies are entitled to attend the meeting. Please note that, as the meeting venue is a secure site, shareholders or their proxies will be required to provide identification before being allowed into the meeting venue. Any shareholder or proxy who fails to provide satisfactory identification will not be allowed into the meeting venue. If shareholders wish to bring a guest to the meeting, they should contact the Registrars in advance of the meeting and arrange for the guest to be invited to the meeting.

Ordinary business

It is proposed to receive and adopt the Directors' and Auditor's Report and Financial Statements for the year ended 31 March 2019.

It is proposed to approve the Directors' Remuneration Report for the year ended 31 March 2019.

It is proposed to declare a final ordinary dividend of 11.00 pence per share, payable on 18 July 2019 to shareholders on the register as at close of business on 14 June 2019.

It is proposed to re-elect all Directors.

It is proposed to appoint Ernst & Young LLP as auditor of the Company, and to authorise the Directors to determine the auditor's remuneration.

Special business

The Special Business to be dealt with at the forthcoming AGM of the Company is:

(i) Continuation vote

The resolution for the continuation in being as an Investment Trust for the period expiring at the end of the annual general meeting of the Company to be held in 2024. The last continuation vote took place in 2014.

(ii) Authority for the Allotment of New Shares

The resolutions to allot shares are set out in resolutions 13 and 14 in the Notice of Annual General Meeting. These resolutions, if passed, will give your Directors power to allot for cash equity securities of the Company and/or to sell equity securities held as treasury shares up to a maximum aggregate nominal amount of £3,123,077 (being an amount equal to 5% of the issued share capital of the Company as at 22 May 2019) as if Section 561 of the Companies Act 2006 ("the 2006 Act") did not apply (this section requires, when shares are to be allotted for cash or shares held as treasury shares are sold, that such shares first be offered to existing shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights"). The authorities contained in resolutions 13 and 14 will continue until the AGM of the Company in 2020 and your Directors envisage seeking the renewal of this authority in 2020 and in each succeeding year.

Directors' Report (continued)

(iii) Authority to Purchase Own Shares

At the AGM of the Company held on 12 July 2018, a Special Resolution was passed authorising the Company to purchase its shares in the market, a maximum of 14.99% of the shares in issue on 12 July 2018 or 40,222,277 shares, whichever is lower, up to the conclusion of the AGM in 2019. The present authority expires at the end of the AGM on 11 July 2019.

The Directors are seeking renewal of the authority to purchase the Company's shares in the market, being a maximum of 14.99% of the shares in issue on 11 July 2019 or 37,451,945 shares, whichever is the lower, at the 2019 AGM. This is set out in resolution 15 of the notice of the AGM.

Any shares purchased pursuant to this authority may be cancelled or held in treasury pursuant to the Companies (Acquisition of own shares) (Treasury Shares) Regulations 2003. Purchases will only be made for cash at a cost which is below the prevailing net asset value per share. Under the rules of the UK Listing Authority, the maximum price which may be paid is the higher of:

- (a) 5% above the average market value of the shares for the five business days before the purchase is made;
- (b) the higher of the last independent trade price and the highest current independent bid price on the London Stock Exchange; and
- (c) The minimum price payable for the shares will be the nominal value of 25 pence per share.

The authority to purchase shares (whether for cancellation or to be held in treasury) will only be exercised if to do so would be in the best interests of shareholders generally and would result in an increase in net asset value per share for the remaining shareholders. The purpose of holding some shares in treasury is to allow the Company to re-issue those shares quickly and cost-effectively, thus providing the Company with greater flexibility in the management of its capital base. Whilst in treasury, no dividends are payable on, or voting rights attach to, these shares. Other than in accordance with a dispensation from the UK Listing Authority, no shares will be purchased by the Company during periods when the Company would be prohibited from making such purchases by the rules of the UK Listing Authority.

The Directors envisage seeking the renewal of the relevant authority in 2020 and in each succeeding year.

(iv) Notice period for general meetings

At the AGM of the Company held on 12 July 2018, a Special Resolution was passed authorising the Company to call general meetings (other than Annual General Meetings) on 14 days' clear notice, up to the conclusion of the AGM in 2019. The Directors are seeking renewal of the authority to call general meetings (other than Annual General Meetings) on 14 days' clear notice, up to the conclusion of the Annual General Meeting in 2020. This is set out in resolution 16 of the notice of the AGM.

This resolution is required to reflect the implementation of the EU Shareholder Rights Directive which requires that all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period.

The Directors only intend to call a general meeting on less than 21 days' notice where the proposals are time sensitive and the short notice would clearly be an advantage to the shareholders as a whole.

Directors' Report (continued)

The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will also be required to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Recommendation

The Directors believe that all of the resolutions proposed are in the best interests of the Company and the shareholders as a whole, and recommend that all shareholders vote in favour of all of the resolutions.

The results of the votes on the resolutions at the AGM will be published on the Company's website (www.temit.co.uk).

Going Concern

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. Having made suitable enquiries, including considerations of the Company's investment objective, the nature of the portfolio, net current liabilities, expenditure forecasts and the principal risks and uncertainties described within the Annual Report, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for a period of at least 12 months from the date of approval of the Financial Statements and for the foreseeable future and, as such, the going concern basis is appropriate in preparing the Financial Statements.

By order of the Board

Paul Manduca

4 June 2019

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Section 420-422 of the Companies Act 2006. Following amendments to the Companies Act 2006, effective from 30 September 2013, the Remuneration Report comprises a Directors' Remuneration Policy and a Directors' Remuneration Report. The Directors' Remuneration Policy is subject to a triennial binding shareholder vote and the Directors' Remuneration Report will be subject to an annual shareholder vote, as ordinary resolutions.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 64 to 71.

All Directors are Non-Executive, appointed under the terms of Letters of Appointment, and none has a service contract. These letters are available for inspection by shareholders at the Company's registered address or at the AGM. The Directors' Report includes, on page 42, details of the Directors' terms of appointments. The Company has no employees.

Details on the Nomination and Remuneration Committee can be found on page 42 and 43 within the Directors' Report.

Directors' Remuneration Policy

This Policy provides details of the remuneration policy for the Directors of the Company. It was approved at the 2017 AGM and will be subject to shareholder approval at the 2020 AGM.

The Board's policy is that the remuneration of Non-Executive Directors should reflect the responsibilities of the Board, Directors' time commitments, the experience of the Board as a whole, and be fair and comparable to that of other investment trusts similar in size, capital structure and investment objective. To this end, the Nomination and Remuneration Committee may engage independent external advisors to provide a formal review of Directors' remuneration. Any changes to fee levels as a result of this review will be subject to an annual review.

The review process involves an analysis of fees paid to Directors of other companies having similar profiles to that of the Company. This review is submitted to the Nomination and Remuneration Committee and the Directors' fees are agreed for the next year subject to approval by the shareholders at the relevant AGM. A review was carried out this year that recommended no increase in fees for the forthcoming financial year.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense.

Directors' remuneration is not linked to the performance of the Company and Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Directors are entitled to reclaim reasonable expenses incurred in order to perform their duties as Non-Executive Directors for the Company. Directors are not entitled to payment for loss of office.

Directors' Remuneration Report (continued)

Current Directors' Remuneration

Component	Director	Annual Fee	Determination
Annual Fee	All Independent Directors	£37,000	Set by the Nomination and Remuneration Committee
Additional Fee	Chairman	£28,000	Set by the Nomination and Remuneration Committee
Additional Fee	Chairman of the Audit Committee	£12,000	Set by the Nomination and Remuneration Committee
Expenses	All Independent Directors	n/a	Reimbursement upon submission of appropriate receipts

The Chairman of the Board and Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater amount of time spent on the Company's business.

Directors' Fees for the Year

Directors' fees for the financial year to 31 March 2019 are set out below. A non-binding ordinary resolution proposing adoption of the Remuneration Report was put to shareholders at the Company's AGM held on 12 July 2018, and was passed by 139,316,036 (99.7%) of shareholders voting in favour of the resolution, 226,361 (0.2%) voting against and 124,640 (0.1%) abstaining from voting.

A resolution proposing the approval of the Directors' Remuneration Policy was put to the shareholders at the 2017 AGM and passed by 137,595,848 (99.8%) of shareholders voting in favour of the resolution, 189,890 (0.1%) voting against and 104,617 (0.1%) abstaining from voting.

The Directors who served during the year received the following fees, which represented their total remuneration:

(audited information)	2019 £	2018 £
Paul Manduca ^(a)	65,000	63,000
Simon Jeffreys ^(b)	49,000	44,700
David Graham	37,000	36,000
Beatrice Hollond	37,000	36,000
Charlie Ricketts ^(c)	26,711	–
Hamish N Buchan ^(d)	10,441	36,000
Peter O Harrison ^(e)	–	13,700
Christopher D Brady ^(f)	–	10,300
Gregory E Johnson ^(g)	–	–
Total	225,152	239,700

^(a) Chairman of the Board.

^(b) Joined the Board on 15 July 2016 and was appointed Chairman of the Audit Committee on 13 July 2017.

^(c) Joined the Board on 12 July 2018.

^(d) Retired from the Board on 12 July 2018.

^(e) Chairman of the Audit Committee until retirement from the Board on 13 July 2017.

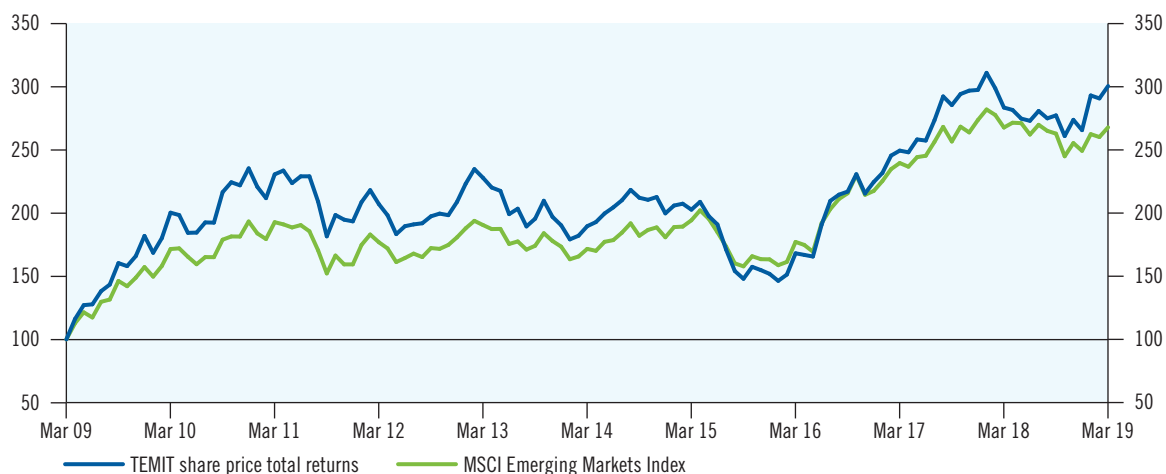
^(f) Retired from the Board on 13 July 2017.

^(g) Compensated in his capacity as Chairman and Chief Executive Officer of Franklin Resources, Inc.

Directors' Remuneration Report (continued)

Performance Graph^(a)

The line graph below details TEMIT's share price total return against TEMIT's benchmark, the MSCI Emerging Markets Index total return.



Relative Cost of Directors' Fees

The table below shows the Company's expenditure on Directors' fees compared to distributions to shareholders:

	2019 £'000	2018 £'000
Directors' Remuneration ^(a)	247	262
Distribution to shareholders:		
Dividends	40,237 ^(b)	39,982
Share buy back	147,500	72,513

The items detailed in the above table are as required by the Large and Medium-size Companies and Groups (Accounts and Reports) 2013.

^(a) Directors' Remuneration comprises Directors' fees of £225,000 and Employer National Insurance Contributions of £22,000 for the financial year 2019 (2018: £240,000 and £22,000 respectively).

^(b) Based on a proposed final dividend of 11.00 pence per share calculated using shares in issue as at 22 May 2019 and the interim dividend of 5.00 pence per share paid 16 January 2019.

Directors' Remuneration Report (continued)

Statement of Directors' Shareholdings

The Directors' interests (including any family interests) existing as at 31 March 2019 in the Company's shares were as follows:

(audited information)	31 March 2019	31 March 2018
David Graham	14,000	9,298
Beatrice Hollond	6,250	6,250
Simon Jeffreys	5,392	5,392
Paul Manduca	5,000	5,000
Charlie Ricketts	5,000	–

The Company has not received notifications of any changes in the above interests as at 22 May 2019.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 4 June 2019.

Paul Manduca

4 June 2019

Report of the Audit Committee

As Chairman of the Audit Committee, I am pleased to present the Company's report of the Audit Committee to the shareholders. This report contains details of the Audit Committee's activities and responsibilities along with the effectiveness of the external and internal audit process for the year ended 31 March 2019.

Composition of the Audit Committee

The Audit Committee comprises Simon Jeffreys (Chairman), David Graham, Beatrice Hollond and Charlie Ricketts. Hamish Buchan served on the Committee until he retired on 12 July 2018, with Charlie Ricketts appointed on that date.

The Board considers that the members of the Audit Committee have sufficient recent and relevant financial experience in order for it to perform its functions effectively, noting in particular that the Audit Committee Chairman is a Chartered Accountant and former senior audit partner. The Directors' biographies are given on pages 39 to 41 of the Annual Report.

Role and Responsibilities of the Audit Committee

The Audit Committee plays an important role in the appraisal and supervision of key aspects of the Company's business. The Audit Committee carried out the following activities to accomplish its principal objectives:

- Reviewed and recommended to the Board for approval the Annual and Half Yearly Reports of the Company;
- Reviewed and agreed the appropriateness of the Company's accounting policies;
- Reviewed and agreed the accounting estimates;
- Reviewed and was satisfied with compliance with appropriate reporting standards and corporate governance requirements;
- Considered that the Annual Report, taken as a whole, is fair, balanced and understandable;
- Monitored, reviewed and confirmed the effectiveness of the controls and risk management systems on which the Company is reliant;
- Oversaw the relationship with the external auditor;
- Reviewed and was satisfied with the quality and content of the Auditor's Report;
- Reviewed and reported below on the external auditor's effectiveness and independence, and the effectiveness of the audit process;
- Reviewed the effectiveness of the internal audit function of Franklin Templeton and their reports, and was satisfied with the results; and
- Reviewed other ad hoc items referred to the Audit Committee by the Board.

During the year the Audit Committee, also:

- Visited the Management Company, FTIS, in Luxembourg and met with key Management Company personnel including Conducting Officers and the head of Risk Management;
- Visited the Management Company in Edinburgh to have additional discussions with those responsible for financial reporting, company secretarial, taxation, internal audit and risk.
- Held a tender process for the selection of the Company's external auditor. Please see page 62 for further details;
- Held two training sessions covering developments in financial reporting and corporate governance.

Report of the Audit Committee (continued)

The terms of reference of the Audit Committee reflect the recommendations of the UK Corporate Governance Code. A copy of the terms of reference of the Audit Committee is available to shareholders on the TEMIT website (www.temit.co.uk) or upon request via Client Dealer Services at Franklin Templeton using the contact details provided on the inside back cover of this report.

Meetings

The Committee met formally three times during the year. Additionally, in the year under review, the Chairman, usually with other members of the Committee, met with representatives of the Manager on separate occasions to discuss the Company's risk and controls framework and to review the Annual Report. On these visits he also met with the Company's external auditor.

The Committee maintains a forward agenda to ensure that its workload is balanced across the year and that matters are addressed at appropriate times.

The Audit Committee Chairman will attend the Company's AGM on 11 July 2019 and will be prepared to respond to questions which may be raised by shareholders on matters within the Audit Committee's responsibilities.

Performance Evaluation

The Board undertakes an annual evaluation of performance of the Audit Committee and its individual Directors, further details of this review can be found on pages 43 and 44.

Annual Report and Financial Statements

A primary responsibility of the Audit Committee is to review the appropriateness of the Annual and Half Yearly Reports.

During the year, the work of the Committee included the following significant activities in relation to the Financial Statements:

Portfolio Valuation

The Directors received regular portfolio reports, liquidity information and presentations from the Manager and the Investment Manager. The Manager employs global pricing policy procedures compliant with current regulations as disclosed in the accounting policies on pages 78 and 79.

Misappropriation of Assets

The Company has appointed an independent custodian (JPMorgan Chase Bank) to hold its investments. The Manager reconciles the investment portfolio to the custodian records on a regular basis, and regular satisfactory reports were provided to the Committee.

Report of the Audit Committee (continued)

Going Concern

The Committee considered the nature of the portfolio, the investment objective, income and expenditure, the principal risks of the Company and the continuation vote in July 2019, and confirmed that it was appropriate to prepare the Financial Statements on a going concern basis, and made its recommendations to the Board.

Recognition of Investment Income

The Committee received quarterly income forecast reports which detailed the income received and the estimated income due to be received in the financial year. These forecasts included details of material variances compared with prior forecasts.

Compliance with Section 1158

The Company has been accepted as an approved investment trust by HM Revenue and Customs for accounting periods commencing on or after 1 April 2012, subject to continuing 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 Committee is satisfied that the Company complies with these conditions and intends to direct its affairs to ensure its continued approval as an investment trust.

External Audit

The Committee reviewed and agreed the audit plan and audit materiality, asking the external auditors to pay particular attention to the ownership and valuation of the portfolio, income recognition and to compliance with S1158 regulations. The Committee reviewed and challenged the results of the audit with the external auditors noting that there were no disagreements with Management. The Committee held a number of meetings with the external auditor in private.

Conclusion

As a result of the work undertaken, the Committee has concluded that the Financial Statements for the year ended 31 March 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 63.

Internal Control

The Company does not have an internal audit function of its own because it has no employees. The Company relies on the internal audit department of Franklin Templeton to report any material failings or weaknesses.

The Committee monitors the risk management and system of internal controls on an ongoing basis and also engages Franklin Templeton's internal audit function to carry out a review of specific areas that the Audit Committee deems necessary. This year the internal auditors were asked in particular to consider any changes in the control systems and to report on the overall effectiveness of internal controls.

Report of the Audit Committee (continued)

The Committee met representatives of the Manager and Investment Manager, including their internal auditors, risk manager and their compliance officer, who reported as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. Certain meetings held with the internal auditors are conducted on a private basis, with no representation from the Manager.

The Committee reviewed the Company's risk map that explains in detail the key risks identified by the Company, assessing the likelihood of each risk materialising and the impact that this would have on the Company. It also confirmed the effectiveness of the key operational procedures and oversight by the Manager and the Board.

During the year, the Committee also reviewed the following significant items:

Counterparty Credit Oversight

The review considered the risk that the Company's counterparties default on payment or delivery of portfolio and cash transactions. This included a review of the primary and mitigating controls implemented by the Manager and Investment Manager.

Global Custody Review

This annual review evaluated JPMorgan Chase Bank's global custody and sub-custody network including the results of the ISAE 3402 report by PricewaterhouseCoopers.

Key Service Providers

This review confirmed the value and quality of services provided to the Company by third parties.

External Auditor Assessment and Independence

To assess the effectiveness of the external audit process, the auditor is asked, on an annual basis, to set out the steps that they have taken to ensure objectivity and independence. The auditor's performance, behaviour and effectiveness during the exercise of its duties are monitored during the year by the Committee. The Committee considered an annual independent Audit Quality Review report by the Financial Reporting Council, that monitors audit quality of the major audit firms in the UK, and discussed with the external auditor the results of their own quality control review. The results of these reviews were satisfactory.

Deloitte presented their detailed audit plan for the 2019 financial year end at the November 2018 Audit Committee meeting. The Committee also reviewed Deloitte's policies and procedures including quality assurance procedures and independence, and concluded that they were satisfactory.

Non-Audit Services

Performance of any non-audit services by the external auditor must be approved in advance by the Committee and must comply with the guidelines set out in the FRC's Revised Ethical Standard 2016. The Committee concluded that the non-audit service fees were appropriate relative to fees paid for audit services. An engagement letter is issued for all non-audit work and is reviewed by the Committee to ensure that the independence and objectivity of the auditor is safeguarded.

Report of the Audit Committee (continued)

During the year, Deloitte were engaged to perform a review of the Half Yearly Report. This is assurance related and the Committee believes that Deloitte are best placed to provide this service on a cost effective basis for the shareholders.

The fees paid to Deloitte in the year were as follows:

	2019	2018
Audit Services	£33,075	£31,500
Non Audit Services:		
Review of Half Yearly Report	£5,500	£5,250
Percentage of Audit Services	16.6%	16.7%

The Committee therefore confirms that the non-audit work undertaken by the auditor satisfies and does not compromise the tests of the auditor's independence, objectivity, effectiveness, resources and qualification.

Audit Tender and Appointment of New Auditor

TEMIT's external auditor, Deloitte LLP, has been the Company's auditor since 27 August 2009. Stuart McLaren is the Senior Statutory Auditor, he has held this position since 2018.

The EU regulations on mandatory auditor rotation require an audit tender to take place after ten years. As a result, an audit tender took place during the year. Members of the Committee undertook a robust selection process that included written proposals from a number of large and medium sized firms followed by face to face meetings with the proposed Senior Statutory Auditors and senior teams from a selected shortlist of candidates. Following the tender process, the Committee recommends that Ernst & Young LLP be appointed as the Company's external auditor at the forthcoming annual general meeting. Sue Dawe will be appointed Senior Statutory Auditor for the 2020 audit.

TEMIT is able to rely on the Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2016, issued on 4 November 2016 that exempts it from requirements to prepare audited financial statements in accordance with the New Zealand Financial Market Conduct Act 2013. This exemption recognises that companies with a primary listing in the United Kingdom prepare Financial Statements and are audited in accordance with UK requirements. This exempts TEMIT from the New Zealand requirement that firms be audited by a New Zealand unlimited liability entity.

TEMIT is in Compliance with the provisions of "The Statutory Audit Services for Large Companies Market Investigation" (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 as issued by the Competition & Markets Authority.

Simon Jeffreys

Audit Committee Chairman

4 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.

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, 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

4 June 2019

Independent Auditor's Report

to the Members of Templeton Emerging Markets Investment Trust Plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Templeton Emerging Markets Investment Trust plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its return for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (AIC SORP) issued by the Association of Investment Companies in November 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- statement of comprehensive income;
- statement of financial position;
- the statement of changes in equity;
- statement of cash flows and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation and ownership of quoted investments
- Revenue recognition; completeness of dividend income

Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .

Materiality

The materiality that we used in the current year was £21.18m which was determined on the basis of 1% of net assets at 31 March 2019

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach

No significant changes in our approach.

Independent Auditor's Report (continued)

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 13-14 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 16 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 16 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



We are also required to report whether the directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.


We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent Auditor's Report (continued)


Key audit matters	<p>Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.</p> <p>These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p>
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Valuation and ownership of quoted investments

Key audit matter description 	<p>The quoted investments of the Company of £2,162m (2018: £2,370m) make up 102.1% (2018: 103.1%) of the total assets of the Company at 31 March 2019. See the accounting policy in note 1g of the Financial Statements and also see note 7 of the Financial Statements.</p> <p>Investments are valued at the closing bid price at the year end. There is a risk that quoted investments within the portfolio may not be valued correctly.</p> <p>As the quoted investments of the Company make up 102.1% of total net assets ("NAV") as at 31 March 2019 and the NAV is the key driver of the management fee paid Franklin Templeton International Services S.à r.l. ("FTIS"), we have considered that there is a potential risk of fraud in this area.</p> <p>This key audit matter was included as a significant issue in the Audit Committee Report on page 60.</p>
How the scope of our audit responded to the key audit matter 	<p>We have performed the following procedures to test the valuation and ownership of quoted investments at 31 March 2019:</p> <ul style="list-style-type: none">• evaluated the design and implementation of the controls at the administrator, Franklin Templeton International Services S.à r.l. ("FTIS") ("the Manager"), relating to the valuation of investments;• agreed 100% of the portfolio of quoted investments to confirmations received directly from the custodian; and• agreed 100% of the valuation of the quoted investments at the year end to the closing bid prices published by an independent pricing source.

Key observations 	No misstatements were identified which required reporting to those charged with governance.
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Revenue recognition: completeness of dividend income

Key audit matter description 	<p>For the year ended 31 March 2019 income from investments is £59.23m (2018: £60.32m). Please see Accounting Policy 1c and Note 2.</p> <p>The Company invests in emerging markets where there is a risk that not all dividend information is captured in a timely manner and, as a result, revenue may be incomplete or recognised in the incorrect period</p> <p>This key audit matter was included as a significant issue in the Audit Committee Report on page 60.</p>
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Independent Auditor's Report (continued)

How the scope of our audit responded to the key audit matter



We have performed the following procedures to test the completeness of dividend income at 31 March 2019:

- evaluated the design and implementation of controls over revenue recognition at the administrator, Franklin Templeton Services S.à r.l. ("FTIS");
- for 100% of quoted investments, obtained ex-dividend dates and rates for dividends declared during the year and agreed the amounts recorded within the general ledger to confirm that dividend income is complete; and
- agreed a sample of dividend income receipts to bank statements.

Key observations



No misstatements were identified which required reporting to those charged with governance.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality

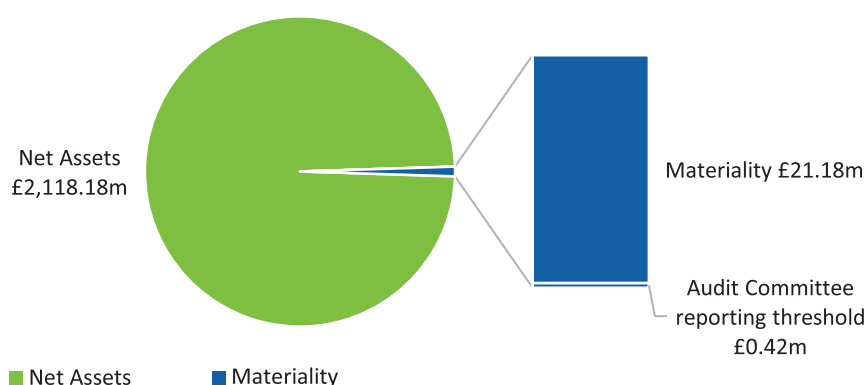
£21.18m (2018: £22.99m)

Basis for determining materiality

1% of net assets as at the year end. This basis was also used in the prior year.

Rationale for the benchmark applied

Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is the key driver of shareholder value.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £423,640 (2018: £459,747), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report (continued)

An overview of the scope of our audit

There were no changes to the scope of our audit since prior year. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work designed to respond to the risks of material misstatement was performed directly by the audit engagement team.

As part of our audit we evaluated the controls in place at the administrator who prepares the financial statements of the Company by reviewing controls in place over the key audit matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Independent Auditor's Report (continued)

Responsibilities of directors	<p>As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.</p>
Auditor's responsibilities for the audit of the financial statements	<p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p> <p>Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.</p> <p>A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.</p>
Extent to which the audit was considered capable of detecting irregularities, including fraud	<p>We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.</p>
<i>Identifying and assessing potential risks related to irregularities</i>	<p>In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:</p> <ul style="list-style-type: none">• enquiring of management, the administrator and the audit committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:<ul style="list-style-type: none">◦ identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;◦ detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;◦ the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;• discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: valuation and ownership of quoted investments due to the incentive for the Manager to manipulate the NAV to increase management fees. If the Company does well the Manager benefits with a higher income, which provides the incentive to manipulate the NAV balance; and• obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the Companies Act 2006 and UK Listing Rules, as well as the Company qualification as an Investment Trust under UK tax legislation.

Independent Auditor's Report (continued)

Audit response to risks identified

As a result of performing the above, we identified valuation and ownership of quoted investments as a key audit matter. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's Report (continued)

<i>Directors' remuneration</i>	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.</p> <p><i>We have nothing to report in respect of these matters.</i></p>
Other matters	
<i>Auditor tenure</i>	<p>Following the recommendation of the audit committee, we were appointed by the shareholders at the Annual General Meeting on 17 July 2009 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 March 2010 to 31 March 2019.</p>
<i>Consistency of the audit report with the additional report to the audit committee</i>	<p>Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).</p>
Use of our report	
	<p>This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.</p>

Stuart McLaren (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 June 2019

Financial Statements

Statement of Comprehensive Income

For the Year Ended 31 March 2019

	Note	Year ended 31 March 2019			Year ended 31 March 2018		
		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.

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 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 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

	Note	Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
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

Notes to the Financial Statements

For the Year Ended 31 March 2019

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.

All financial assets and financial liabilities are recognised (or derecognised) on the date of the transaction by the use of “trade date accounting”.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

(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

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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

Notes to the Financial Statements (continued)

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

	Revenue pence	2019 Capital pence	Total pence	Revenue pence	2018 Capital pence	Total 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 £'000	2018 £'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.

Notes to the Financial Statements (continued)

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 £'000	2018 £'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

Notes to the Financial Statements (continued)

11 Equity Share Capital

	2019		2018	
	Allotted, issued & fully paid £'000	Number	Allotted, issued & fully paid £'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		2018	
	Rate (pence)	£'000	Rate (pence)	£'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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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

Notes to the Financial Statements (continued)

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.

Financial Assets and Liabilities	2019		2018	
	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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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).

Notes to the Financial Statements (continued)

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.
- 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.

Investor Information

Notice of Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Templeton Emerging Markets Investment Trust Public Limited Company (the “**Company**”) will be held at The Honourable Artillery Company, City Road, London, EC1Y 2BQ on 11 July 2019 at 12 noon to transact the following business:

To consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 16 will be proposed as special resolutions.

Ordinary Business:

1. To receive and adopt the Directors’ and Auditor’s Reports and financial statements for the year ended 31 March 2019.
2. To approve the Directors’ Remuneration Report for the year ended 31 March 2019.
3. To declare a final dividend of 11.00 pence per share for the year ended 31 March 2019.
4. To re-elect Paul Manduca as a Director.
5. To re-elect Beatrice Hollond as a Director.
6. To re-elect Charlie Ricketts as a Director.
7. To re-elect David Graham as a Director.
8. To re-elect Gregory E Johnson as a Director.
9. To re-elect Simon Jeffreys as a Director.
10. To appoint Ernst & Young LLP as auditor of the Company, to act until the conclusion of the next general meeting of the Company at which audited accounts are laid before the members.
11. To authorise the Directors to determine the auditor’s remuneration.

Special Business

12. That, pursuant to Article 153.1 of the articles of association of the Company, the Company shall continue in being as an Investment Trust for the period expiring at the end of the annual general meeting of the Company to be held in 2024.
13. That, in substitution for any existing authority, the Directors be generally and unconditionally authorised to allot equity securities (as defined in Section 560 of the Companies Act 2006 (the “**Act**”)) pursuant to Section 551 of the Act, up to an aggregate nominal amount of £3,123,077 (being an amount equal to 5% of the existing issued share capital of the Company as at 22 May 2019, being the latest practicable date before the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the annual general meeting of the Company to be held in 2020 save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
14. That, in substitution for any existing authority, subject to the passing of resolution 13, the Directors be given the general power pursuant to sections 570 and 573 of the Act to allot equity securities (as defined by Section 560 of the Act) for cash pursuant to the authority conferred by resolution 13, and/or to sell equity securities held as treasury shares for cash pursuant to Section 727 of the Act, in each case as if Section 561(1)

Notice of Meeting (continued)

of the Act did not apply to any such allotment or sale, provided that this power shall be limited to: (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and (b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding the sum of £3,123,077 (being an amount equal to 5% of the existing issued share capital of the Company as at 22 May 2019, being the latest practicable date before the date of this notice). The power granted by this resolution will expire on conclusion of the annual general meeting of the Company to be held in 2020 (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot and/or sell equity securities held as treasury shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

15. That, in substitution for any existing authority, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006), of its ordinary shares of 25 pence each in the capital of the Company ("shares") provided that:
- (i) the maximum number of shares hereby authorised to be purchased shall not exceed 14.99 per cent of the shares in issue on 11 July 2019, or 37,451,945 shares, whichever is lower;
 - (ii) the minimum price which may be paid for a share shall be 25 pence;
 - (iii) the maximum price which may be paid (excluding expenses) for a share shall not be more than the higher of: (a) an amount equal to 105 per cent of the average of the closing mid-market price of shares (as derived from the daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and (b) the higher of the last independent trade price and the highest current independent purchase bid price on the London Stock Exchange; and
 - (iv) unless renewed, the authority hereby conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2020, save that the Company may, and prior to such expiry, enter into a contract to purchase shares which will or may be completed wholly or partly after such expiry.
16. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By Order of the Board

Paul Manduca

4 June 2019

Registered Office: 5 Morrison Street, Edinburgh, EH3 8BH

Notice of Meeting (continued)

Notes:

1. **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000.
2. If you have sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so that they can pass these documents to the person who now holds the shares.
3. The Company specifies that only those members registered on the Company's register of members at 6.30 pm on 9 July 2019 shall be entitled to attend and vote at the annual general meeting (the "**Meeting**").
4. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend, to speak and vote thereat instead of him. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person. Please note that, as the meeting venue is a secure site, shareholders or their proxies will be required to provide identification before being allowed into the meeting. Any shareholder or proxy who fails to provide satisfactory identification will not be allowed into the meeting venue. If shareholders wish to bring a guest to the meeting, they should contact the Registrars in advance of the meeting and arrange for the guest to be invited to the meeting.
5. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares held by that member. A member may not appoint more than one proxy to exercise rights attached to one share. Please contact the Company's registrar Equiniti, at Aspect House, Lancing, West Sussex BN99 6DA to appoint more than one proxy. In the case of joint holders, the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
6. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
7. A proxy form is enclosed. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
8. A proxy form must be returned to the Company's registrar, Equiniti, Aspect House, Lancing, West Sussex BN99 6DA to arrive not later than 12 noon on 9 July 2019. New Zealand registered shareholders must return a proxy form to Computershare, Private Bag 92119, Auckland 1142, New Zealand to arrive not later than 5.00pm on 8 July 2019 (New Zealand time).
9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member provided that no more than one corporate representative exercises powers over the same share.
10. As at 22 May 2019, the Company's issued share capital was 249,846,195 shares of 25 pence each. Each share carries the right to vote at an annual general meeting of the Company and, therefore, the total number of voting rights in the Company as at 22 May 2019 was 249,846,195.
11. Copies of the letters of appointment of the Directors of the Company are available for inspection at the Company's registered office at 5 Morrison Street, Edinburgh, EH3 8BH, and at the Meeting (for 15 minutes prior to the Meeting and during the Meeting).
12. Electronic proxy appointment for CREST members (for UK only). CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the issuer's agent (RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting, or in the event of an adjournment of the Meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings

Notice of Meeting (continued)

and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

13. Electronic proxy appointment for non-CREST members (for UK only). Shareholders who prefer to register the appointment of their proxy electronically via the Internet can do so through the Equiniti website at www.sharevote.co.uk where full instructions on the procedure are given. The personal Voting ID, Task ID and Shareholder Reference Number printed in the voting pack will be required to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti's on-line portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12 noon on 9 July 2019. Please note that any electronic communication found to contain a computer virus will not be accepted.
14. Electronic proxy appointment for New Zealand registered shareholders. New Zealand registered investors who prefer to register the appointment of their proxy electronically via the Internet can do so through the Computershare website at www.investorvote.co.nz, and enter the Control Number 102532, where full instructions on the procedure are given. Your CSN (Common Shareholder Number) and postal code will be required to use this electronic proxy appointment system. A proxy appointment made electronically will not be valid if sent to any address other than that provided or if received after 5.00pm (New Zealand time) on 8 July 2019. Please note that any electronic communication found to contain a computer virus will not be accepted. New Zealand registered investors cannot appoint more than one proxy when registering the appointment of their proxy electronically.
15. A member of the Company may make a request in accordance with Section 527 of the Companies Act 2006 to have a statement published on the Company's website setting out an audit concern. This allows a member or members having a right to vote at the Meeting and holding at least 5% of the total voting rights of the Company, or at least 100 members having a right to vote at the Meeting and holding, on average, at least £100 of the paid up share capital, to make a request so that the Company must publish on its website a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website: (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request; (ii) it must forward the statement to the Company's auditor no later than the time at which the statement is made available on the Company's website; and (iii) the statement may be dealt with as part of the business of the Meeting. A member wishing to request publication of such a statement on the Company's website must send the request to the Company in hard copy form to the Company Secretary or by email to enquiries@franklintempleton.co.uk. The request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported and be received by the Company at least one week before the Meeting. Please note that any electronic communication found to contain a computer virus will not be accepted.
16. Any member attending the Meeting has the right to ask questions. Pursuant to Section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member relating to the business being considered, except if a response would not be in the interests of the Company or for the good order of the Meeting or if to do so would involve the disclosure of confidential information. The Company may, however, elect to provide an answer to a question within a reasonable period of days after the conclusion of the Meeting.
18. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website, www.temit.co.uk.
19. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Key Dates

The Company's thirtieth Annual General Meeting will be held on Thursday 11 July 2019. Notice of this meeting is given on pages 91 to 94.

Significant events in the Company's year are expected normally to occur as follows:

July 2019

Annual General Meeting held. Final dividend paid.

November 2019

Half Yearly results announced.

Half Yearly Report for the period to 30 September 2019 published.

Interim dividend paid January 2020.

Investor Communications

The Board and Manager aim to keep shareholders informed and release the following information on the Company's website:

Daily

- Daily net asset value

Monthly

- Factsheet
- Investment Manager commentary
- Portfolio breakdowns
- Performance details

Quarterly

- Portfolio holdings
- Portfolio report released on quarter ends out-with financial reporting cycles

Ad hoc

- Emerging markets updates
- PRIIPS Key Information Document (KID)^(a)

You can also download important documents such as the latest Investor Disclosure Document and Company Policies.

You can also subscribe to have the latest updates sent directly to your email account.

(a) Packaged Retail and Insurance-based Investment Products Regulation (the 'PRIIPs Regulation') require that the Manager prepare a Key Information Document (KID) in respect of the Company. Investors should note that the basis for calculating potential returns, costs and risks are prescribed by the law and the Board is not responsible for the information contained in the KID. Investment returns stated in the KID may not be those expected of the Company and are not guaranteed.

General Information

REGISTERED OFFICE

5 Morrison Street
Edinburgh
EH3 8BH
UK
(Registered No. SC118022)

REGISTRAR – UK

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
UK
www.equiniti.com
Tel (UK) 0371 384 2505
Tel (overseas) +44 121 415 7047

REGISTRAR – NEW ZEALAND

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland 0622
NEW ZEALAND
www.computershare.co.nz
Tel +649 488 8777

ALTERNATIVE INVESTMENT FUND MANAGER, SECRETARY AND ADMINISTRATOR

Franklin Templeton International Services S.à r.l.
8a rue Albert Borschette
L-1246
LUXEMBOURG

FINANCIAL ADVISER AND STOCKBROKER

Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2GA
UK

SOLICITOR

CMS Cameron McKenna Nabarro Olswang LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN
UK

CUSTODIAN

JPMorgan Chase Bank
25 Bank Street
London
E14 5JP
UK

DEPOSITARY

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

AUDITOR

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR
UK

Shareholder Information

Board of Directors

Paul Manduca^(a) (Chairman); David Graham^(a); Beatrice Hollond^(a); Simon Jeffreys^(a); Gregory E Johnson; Charlie Ricketts^(a) (appointed 12 July 2018).

^(a) Independent non-executive

How to Invest

There are two main ways to invest in TEMIT:

1. Through an investment platform. A number of fund supermarkets or investment platforms allow you to buy, hold and sell shares in investment trusts such as TEMIT quickly and easily at a low cost. Many have no minimum investment requirements.

Equiniti, the Registrar, offers an online or telephone service where you can buy shares in TEMIT as part of an Investment Account or an Individual Savings Account. There are a number of other companies that offer similar services and may also allow you to include TEMIT as an investment in your Self-Invested Pension Plan. Some of the most popular include Hargreaves Lansdown, Charles Stanley Direct, AJ Bell, the Share Centre and Interactive Investor.

If you haven't already chosen a provider, there are a number of independent comparison websites available which may assist you in making your selection.

Please note that this is not a complete list of ISA or SIPP providers and you should not consider this list to be a recommendation of the services which these providers offer.

2. Directly through the stock market. You can invest directly in Templeton Emerging Markets Investment Trust PLC by purchasing shares in the stock market through a stockbroker or authorised Financial Adviser.

Financial Advice

We strongly recommend that you take independent financial advice before making any investment. If you have a financial adviser, then they will advise you on the best way to invest in TEMIT. If you currently do not have a financial adviser, there are a number of resources online to help you. For investors based in the UK, websites such as www.unbiased.co.uk or www.vouchedfor.co.uk will provide you with details of financial advisers in your area.

NAV Publication and Reference Codes

The NAV is released every London Stock Exchange business day through the London and New Zealand Stock Exchanges. It is also published on our website: www.temit.co.uk and published in the Financial Times.

Codes

Ticker	TEM LN
ISIN	GB0008829292
SEDOL	882929

Dividend Reinvestment Plan (DRIP)

If you are a UK shareholder and your shares are held in your own name on the Company's share register, you can request that any dividend payments are used to purchase further shares in the Company. You can download and complete the relevant applications forms through Equiniti's secure website www.shareview.co.uk/info.drip or you can contact Equiniti by phone on 0371 384 2505. If you are telephoning from outside the UK, please ring +44 121 415 7047.

If you invest through a nominee or investment platform and wish to reinvest dividends you will need to contact them directly to find out what arrangements they offer.

Glossary of Alternative Performance Measures

Net asset value return

A measure showing how the net asset value (“NAV”) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders in sterling terms. Total return measures allow shareholders to compare performance between investment trusts where the dividend paid may differ.

To calculate total return, it is assumed that dividends are reinvested into the assets of the Company at the prevailing NAV on the day that the shares first trade ex-dividend (see page 1). Total return is calculated using published daily NAVs.

To calculate capital return, revenue earnings are excluded (see page 2).

Share price return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders in sterling terms. Total return measures allow shareholders to compare performance between investment trusts where the dividend paid may differ.

To calculate total return, it is assumed that dividends are reinvested into the shares of the Company at the prevailing share price on the day that the shares first trade ex-dividend (see page 1).

To calculate capital return, revenue earnings are excluded (see page 2).

Benchmark return

The Company’s benchmark is the MSCI Emerging Markets Index.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company’s investment universe. The Company’s investment strategy does not track this index and consequently, there may be some divergence between the Company’s performance and that of the benchmark.

Total return on the benchmark is calculated on a closing market value to closing market value basis, assuming that all dividends received were reinvested into the shares of the relevant companies at which time the shares were quoted ex-dividend in sterling terms (see page 1).

Capital return on the benchmark is calculated the same way as total return, but with no dividend reinvestment (see page 2).

Benchmark performance source: MSCI.

Share price discount to net asset value (“NAV”)

A measure showing the relationship between the share price and the NAV, which is expressed as a percentage

of the NAV per share (see page 2). As at 31 March 2019 the Company’s share price was 766.0 pence and the NAV per share was 842.5 pence, therefore the discount was $(842.5 - 766.0)/842.5 = 9.1\%$ (31 March 2018: 12.2%).

If the share price is lower than the NAV per share, the shares are said to be trading at a discount. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Gearing/net gearing

A term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased using the borrowings will exceed the costs of those borrowings. For example, a figure of 5% means that the shareholder funds are exposed to NAV returns by an additional 5%, positive or negative, as a result of borrowings (see page 2).

Ongoing charges ratio

The OCR represents the annualised ongoing charges (excluding finance costs, transaction costs and taxation) divided by the average daily net asset values of the Company for the period and has been prepared in accordance with the AIC’s recommended methodology. Ongoing charges reflect expenses likely to recur in the foreseeable future and therefore primarily as a result of the reduction in AIFM fee, the OCR has reduced to 1.02% (31 March 2018: 1.12%).

Gross total return

Gross total return is net asset value total return before the deduction of expenses (see page 26).

Excess return

The difference between the gross total return of TEMIT and the benchmark total return (see page 26).

Residual

A measure representing the difference between the actual excess return and the excess return explained by the attribution model. This amount results from several factors, most significantly the difference between the actual trade price of securities included in actual performance and the end of day price used to calculate attribution (see page 26).

Market capitalisation

The total market value of a company’s shares. This is calculated by multiplying the share price on a certain date by the number of shares in issue (see page 38).

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