Markets Investment Trust PLC ("TEMIT" or "the Company")
Unaudited Half Yearly Report to 30 September 2019
Legal Entity Identifier 5493002NMTB70RZBXO96

Company Overview

Launched in 1989, Templeton Emerging Markets Investment Trust PLC ("TEMIT" or the "Company") is an investment company 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 Investments, 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 net assets of £2.2 billion as at 30 September 2019.

TEMIT at a glance

For the six months to 30 September 2019

Net asset value total return (cum-income)[a]	Share price total return[a]	MSCI Emerging Markets Index total return[a][b]
6.3%	4.4%	2.2%
(2018: -1.5%)	(2018: -2.2%)	(2018: -1.8%)

Interim dividend for the financial year 2020	Special dividend
5.00p	2.60p
(Interim dividend for the financial year 2019: 5.00p)	

Cumulative Total Return to 30 September 2019 (%)

	6 Months	1 Year	3 Year	5 Year	10 Year
Net asset value (cum-income)	6.3	9.8	38.7	51.0	101.2
Share Price	4.4	13.1	44.6	47.9	95.7
MSCI Emerging Markets Index	2.2	4.1	26.9	50.4	87.1

(a) A glossary of alternative performance measures is included in the full half-yearly report.

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

Chairman's Statement

Market Overview and Investment Performance

Markets continued to be volatile in the period under review, with the continuing trade war between the US and China regularly creating news headlines. Tension between the US and China repeatedly escalates and then is partially defused, a situation which is not conducive to economic growth or investment returns. There is increasing evidence that this is affecting economic growth in both countries and around the world. Reflecting difficult economic circumstances, the US Federal Reserve cut key interest rates twice. This should help alleviate the recent strength of the US dollar, which has been a headwind for emerging markets, and reduce the cost of debt in some countries.

Against this background I am again pleased to be able to report both a positive Net Asset Value Total Return and a return in excess of that of our benchmark for the six months under review. I do recognise, however, that this positive return shows a snapshot of values at two dates and must be viewed against the background of volatile markets.

Revenue, Earnings and Dividend

An interim dividend of 5.00 pence per share will be paid on 15 January 2020. TEMIT generally receives most of its income in the first half of its accounting year and the interim dividend is fully covered by net income over the six months under review. Revenues for the period included a special dividend amounting to £6.4 million from Brilliance China Automotive. The Board has elected to pay an additional special dividend of 2.60 pence per share (being the amount received from Brilliance China Automotive) also on 15 January 2020, making total dividends to be paid on that date 7.60 pence per share.

While the Board recognises that dividends are appreciated by many shareholders, the Company's investment strategy and the Investment Manager's approach to investment is focused on generating capital returns and we do not target a particular level of income.

Asset Allocation and Borrowing

As at 30 September 2019, the current bank debt facility was partly drawn down and the level of gearing[a] (net of cash in the portfolio) was 0.8%. If no cash had been held in the portfolio, based on the net asset value as at close of business on 30 September 2019, gearing would have been 5.4%.

The current bank facility will expire on 31 January 2020 and the Board is currently reviewing options for continued gearing. A further announcement will be made in due course.

The Discount

During the half year to 30 September 2019, TEMIT's shares traded at discounts of between 8.8% and 11.7% and as at the end of September the discount stood at 10.9%.

The Board exercises its powers to buy back shares when it believes this to be in shareholders' interests and with the aim of reducing volatility in the discount. The Company continues to be active in buying back shares, with shares bought back on the majority of business days and a total of 5,851,774 shares being bought back over the six months under review at a cost of £45.8 million. As the share buybacks were carried out at discounts to the prevailing net asset value, this was beneficial to continuing shareholders and improved the NAV[a] per share by 0.2%.

[a] A glossary of alternative performance measures is included in the full half-yearly report.

The Board and Franklin Templeton remain committed to seeking to stimulate demand for TEMIT's shares. In recent years we have enhanced our marketing and media relations programme and this has helped to generate renewed interest in the shares.

Continuation Vote and Conditional Tender Offer

The continuation vote at this year's Annual General Meeting was passed by a large majority and the Board and Franklin Templeton are grateful for shareholders' continuing support.

As set out in the most recent Annual Report, as shareholders voted in favour of continuation at this year's Annual General Meeting, the Board has introduced a five-year performance-related 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. However, if, over the five-year period to 31 March 2024, the Company's net asset value total return fails to exceed the benchmark total return, the Board will put forward proposals to shareholders to undertake a tender offer for up to 25 per cent of the issued share capital of the Company at the discretion of the Board. Any such tender offer will be at a price equal to the then prevailing net asset value less two per cent (less the costs of the tender offer). Any tender offer will also be conditional on shareholders approving the continuation vote in 2024 and would take place following the Company's 2024 Annual General Meeting.

The introduction of any conditional tender offer will not affect the Board's current approach to discount management.

Further details of the conditional tender offer will be provided to shareholders in 2024 and in the meantime no action is necessary.

Outlook

Given the current political background, equity markets are likely to remain volatile. It is, however, important to recognise that many of the countries in which TEMIT invests are generating a good level of economic growth and higher rates of growth than developed markets. Economic growth does not necessarily lead directly to investment returns and this is why our Investment Manager maintains a large team which is focused on analysing the prospects of individual companies. As a Board, we remain of the view that effective stock picking is the key to success in our investment mandate, and that our Investment Manager is well equipped to deliver positive returns.

Paul Manduca
Chairman
25 November 2019

Interim Management Report

Principal risks

The Company predominantly invests directly in the stock markets of emerging markets. The principal risks facing the Company, as determined by your Board, are:

- Investment and concentration;
- Market;
- Geopolitical;
- Foreign currency;
- Portfolio liquidity;
- Counterparty and credit;
- Operations and custody;
- Key personnel;
- Regulation; and
- Cyber security.

The Board has provided the Investment Manager with guidelines and limits for the management of these principal risks. Further information on risks is given in the Strategic Report within the Annual Report and Audited Accounts, which is available on the Company's website (www.temit.co.uk). There have been no changes to the principal risks reported in the Annual Report and, in the Board's view, these principal risks are equally applicable to the remaining six months of the financial year as they were to the six months under review.

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 UK's Temporary Permissions Regime that would allow up to a three-year extension of current "passporting" for the AIFM into the UK in the event of a 'No Deal' Brexit, we expect that the UK FCA will continue to recognise FTIS as TEMIT's AIFM for the foreseeable future and, certainly, for a sufficient period to make alternative plans if future events require it.

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.

Related party transactions

There were no transactions with related parties during the six months ended 30 September 2019. Under the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in November 2014 and updated in October 2019, the Franklin Templeton entities are not classified as related parties under IAS 24 (as adopted by the EU).

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, expenditure forecasts and the principal risks and uncertainties, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the foreseeable future, being a period of at least 12 months, and as such, a going concern basis is appropriate in preparing the Financial Statements.

Statement of Directors' Responsibilities

The Disclosure and Transparency Rules of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

Each of the Directors, who are listed in the full half-yearly report, confirms that to the best of their knowledge:

(a) the condensed set of financial statements, for the period ended 30 September 2019, have been prepared in accordance with the applicable International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted by the EU; and

(b) the Half Yearly Report includes a fair review of the information required by:

(i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

The Half Yearly Report was approved by the Board on 25 November 2019 and the above responsibility statement was signed on its behalf by

Paul Manduca
Chairman
25 November 2019

Portfolio Report

Market Overview

Emerging markets weathered increased volatility over the 6-month period driven primarily by ongoing US-China trade-related events, central bank monetary policies and concerns of slowing global economic growth. Against this backdrop, the MSCI Emerging Markets Index produced a total return of 2.2% in the period under review, while TEMIT delivered a net asset value total return (cum-income) of 6.3% (all figures in sterling). Full details of TEMIT's performance can be found in the full half-yearly report.

US-China trade tensions escalated in May with the two countries increasing tariffs on imports of each other's goods. Market hopes of an agreement in the near future, following a truce in the summer, were short-lived with several rounds of retaliatory actions following in the latter part of the reporting period. The United States also formally labelled China as a currency manipulator in August after the Chinese renminbi depreciated to above a symbolic ¥7 per US dollar for the first time since 2009. These events sparked a broad sell-off in Chinese equities as well as global stock markets. Conciliatory moves, however, were made in September along with a decision to resume trade talks in October. The US and China reached a partial agreement on the first phase of a deal between the two countries, which included the US suspending the scheduled October tariff increase and China increasing agricultural purchases. The agreement is also believed to cover intellectual property, financial services and currency measures.

Emerging markets received some good news in July when the US Federal Reserve ("Fed") cut its key interest rate for the first time since 2008. A second interest rate cut was subsequently made in September and another after our reporting period in late October. The rate cuts should alleviate upward pressure on US dollar exchange rates, helping emerging market currencies while also facilitating greater flexibility in emerging market monetary policy with several markets including South Korea, Brazil, Indonesia, and Thailand already reducing interest rates. History has shown that over the last four Fed rate cycles, emerging markets have tended to outperform the US market in the 2-3 year period following the first rate cut. The only exception to this was in the run up to the Asian financial crisis in the late 1990s.

Chinese stocks fell over the reporting period as investors focused on the US-China trade conflict and slowing growth in China. However, we believe that China's economy may be better able to absorb the trade issues than the market fears. It is important to note that China's growth is now less dependent on exports than it was a decade ago. China's trade balance with the United States has also narrowed. China's economy has been re-balancing with domestic consumption the key driver of economic growth. In addition to targeted stimulus measures, the government lifted restrictions on foreign investment in China as part of efforts to increase access to its financial markets. The People's Bank of China also implemented an interest-rate reform in August, designating the loan prime rate as the new benchmark for household and business loans, effectively lowering interest rates in August and September. China's second-quarter gross domestic product ("GDP") growth slowed to 6.2%, although the figure was in line with market expectations. We expect the government to continue to focus on economic restructuring and sustainable long-term growth. Although China was TEMIT's largest market position at the end of the reporting period, it remained underweight relative to the benchmark.

South Korea was TEMIT's second-largest market position at the end of September and overweight versus the benchmark. The South Korean market started the period on a positive note on better-than-expected first-quarter earnings results and a change in the Bank of Korea's monetary policy guidance from a defensively hawkish to a more neutral monetary policy. Escalation in the US-China trade dispute, growing trade tensions between South Korea and Japan, and North Korea's missile launches fuelled investor caution. South Korea's trade feud with Japan heightened as both countries decided to end preferential trade treatment for each other, driving the market down. The central bank cut its key interest rate in July, reversing the rate hike from November 2018 in view of raising growth concerns and a downward inflation outlook. Markets staged a recovery late in the period on the back of the government's record expansionary 2020 budget which was intended to stimulate the economy and cushion the impact of the trade feud with Japan. Improving sentiment in the computer memory sector further supported market sentiment and resulted in equity prices ending the reporting period virtually unchanged. While domestic economic indicators have been weak, expectations for a recovery in the Korean economy are rising on encouraging signs in major industries including semiconductors, shipbuilding and automobile.

TEMIT maintained an underweight exposure to **Taiwan**, where a significant position in Taiwan Semiconductor Manufacturing Company ("TSMC"), one of the portfolio's largest holdings, made up a large portion of the exposure. Recovery in the technology sector favoured the Taiwanese market where technology-related stocks account for a substantial portion. TSMC is one of the world's leading semiconductor makers and counts major global technology companies amongst its clients. While Huawei's addition to the US Entity List[1] raised concerns, the stock performed well over the period, ending September at a record high share price, supported by strong smartphone sales and its high-performance computing business. A strong 2020 outlook driven by accelerating 5G development demand further supported the shares. We favour TSMC's technological lead in producing cutting-edge chips that could see more demand from mobile devices and advanced applications such as high-performance computing.

Optimism surrounding the government's economic agenda, including the key social security reform, has resulted in a more favourable climate in **Brazil**. While the country's economic recovery has been slower than expected, with the government forecasting the GDP to grow by only 0.85% in 2019, government and central bank efforts could improve the country's longer-term GDP growth potential. Inflation has also remained under control, allowing the central bank to lower interest rates to record-low levels to stimulate the economy. We believe that the approval of pension system reform is key to stimulating investment and credit, which should help improve economic activity, as well as helping significantly to reduce Brazil's fiscal deficit. A major privatisation plan has also been announced, and we expect tax and other reforms that could improve the ease of doing business to follow. Despite the strong market performance over the last 12 months, we remain positive on the outlook for Brazil's market, adding to our exposure, which remained overweight compared to the benchmark index, during the reporting period.

[1] Those included in the Entity List are subject to specific licensing requirements to export to the US. The Entity List is seen as a "red flag" by the US government, meaning that the transaction is likely to face much more scrutiny.

Russia was the best performing market in the MSCI Emerging Markets Index over the six-month period and remains one of the most undervalued markets globally, despite its strong performance. Our overweight position relative to the benchmark had a positive impact on relative performance. Many international investors have avoided this market because of economic sanctions against the country. However, we believe that Russia's fairly self-sustained economy has limited the impact of sanctions. While the economy has proven to be resilient, we have seen many companies take steps to adapt and flourish in the current environment. Moreover, corporate governance in many Russian companies has improved significantly. For example, many companies including Sberbank and Gazprom have increased dividend pay-outs, while others like Lukoil have undertaken share buybacks to improve shareholder value. Overall, we believe that Russia continues to offer interesting opportunities and that exposure to select well-established companies in the financials, energy, materials and communication services sectors should continue to serve TEMIT well.

Indian equity markets experienced some volatility in the earlier part of the reporting period, impacted by uncertainty around the outcome of the national elections, weaker economic growth and global macro uncertainty. While sentiment did turn positive following Prime Minister Narendra Modi's victory with an outright majority for his party, weaker economic growth this year has continued to impact overall investor sentiment. The government surprised investors with a meaningful reduction in India's corporate tax rates to spur investment and boost economic growth. Overall this is positive, with the level of impact differing from sector to sector. For instance, banking would be a key beneficiary as it is a full-tax paying industry. Most consumer companies also benefit from the corporate tax cuts. A key holding in India is one of the country's largest private-sector banks, ICICI Bank. We believe that ICICI Bank's strong retail franchise and extensive network make it well positioned to benefit from India's rapidly growing banking system. Overall, the case for investing in India remains strong as fundamentals remain intact. Indian equities are also expected to show resilience to global trade concerns due to less export dependence. We continue to favour companies that can benefit from secular growth drivers such as favourable demographics, infrastructure investment, urban and rural consumption growth and increasing income levels.

The **Argentine** market tumbled during the reporting period amidst increased political and economic uncertainty as the government imposed capital controls and extended the maturities of its debt. We note, however, that market volatility has been largely contained within the country. Argentina remains one of TEMIT's smallest market exposures and underweight relative to the benchmark.

Investment Strategy, Portfolio Changes and Performance

The following sections show how different investment factors (stocks, sectors and geographies) accounted for TEMIT'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, our fundamental focus is 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. Our portfolio remains broad-based including what we view to be the best opportunities within any sector or market.

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

Performance Attribution Analysis %

Six months to 30 September	**2019**	**2018**	**2017**	**2016**	**2015**
Net asset value total return[(a)]	6.3	(1.5)	11.4	29.6	(28.0)
Expenses incurred	0.5	0.6	0.6	0.6	0.6
Gross total return[(a)]	6.8	(0.9)	12.0	30.2	(27.4)
Benchmark total return[(a)]	2.2	(1.8)	7.1	21.7	(18.8)
Excess return[(a)]	4.6	0.9	4.9	8.5	(8.6)
Stock selection	2.6	(0.2)	1.8	0.2	1.2
Sector allocation	1.6	(0.5)	2.7	7.9	(12.7)
Currency	0.4	1.1	0.1	0.4	2.6
Residual[(a)]	–	0.5	0.3	–	0.3
Total Portfolio Manager Contribution	**4.6**	**0.9**	**4.9**	**8.5**	**(8.6)**

Source: FactSet and Franklin Templeton Investments.

(a) A glossary of alternative performance measures is included in the full half-yearly report.

Contributors and Detractors by Security

Top Contributors to Relative Performance by Security (%)[(a)]

Top Contributors	**Share Price Total Return**	**Relative Contribution to Portfolio**
Brilliance China Automotive	28.5	0.8
Gazprom, ADR	71.7	0.6
Sunny Optical Technology	76.8	0.6
Taiwan Semiconductor Manufacturing	21.4	0.5
NAVER	27.0	0.5
Naspers	4.4	0.4
ICICI Bank	12.2	0.4
Unilever[(b)]	13.0	0.4
Samsung Electronics	11.9	0.3
Sberbank of Russia, ADR	19.7	0.3

(a) For the period 31 March 2019 to 30 September 2019.

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

Brilliance China Automotive manufactures and sells automobiles for China’s domestic market, predominantly through its joint venture (“JV”) with German luxury car maker BMW. Shares partially recovered, as investors saw value emerge following a sharp fall in the share price in the latter part of 2018 after investors reacted negatively to BMW’s plans to increase its investment in the JV to a majority share. Although the company reported weak results for the first half of 2019, the announcement of a special dividend provided investors with some comfort. Sentiment in the stock also benefited from government measures to support car sales. While the stock remains a significant holding, we decreased our position to reduce portfolio risk.

Based in Russia, **Gazprom** is the largest producer of gas in the world, in terms of reserves and production. Well positioned to benefit from the growing global energy demand, the stock also trades at attractive valuations in terms of metrics such as price-to-earnings and price-to-book. Shares surged following the announcement of a sharply higher dividend for 2018. Management also disclosed a new dividend policy, which included plans gradually to move towards increasing its dividend pay-out ratio to 50%. We reduced our holdings in the company following the price increase to rebalance the portfolio.

Sunny Optical Technology designs and manufactures optical and optical-related products. It is the world’s largest supplier of automotive lenses and China’s largest maker of smartphone camera modules and lenses. Shares in Sunny Optical Technology recorded a notable fall in May, on concerns about its customer Huawei being added to the US Entity List[1] and as a result of a general decline in the share prices of technology companies as investors grew concerned about the escalating US-China trade conflict. The sharp fall in the share price provided us with an attractive opportunity to add the shares to the portfolio, as we started to see value emerge and believe that the company is well-positioned to capture growing demand for high-specification smartphone lens sets.

Shares subsequently rose in the later part of the period, supported by resilient monthly shipment data and better-than-expected first-half 2019 revenue and net income on the back of strong sales. We trimmed our position following the sharp price rise.

[1] Those included in the Entity List are subject to specific licensing requirements to export to the US. The Entity List is seen as a "red flag" by the US government, meaning that the transaction is likely to face much more scrutiny.

Top Detractors to Relative Performance by Security (%)[(a)]

Top Detractors	Share Price Total Return	Relative Contribution to Portfolio
Massmart[(b)]	(44.4)	(0.4)
Glenmark Pharmaceuticals	(47.8)	(0.4)
HDC Hyundai Development	(35.0)	(0.3)
Cognizant Technology Solutions[(b)]	(11.2)	(0.2)
H&H Group[(b)]	(27.8)	(0.2)
LG	(9.4)	(0.2)
Bank Danamon Indonesia	(5.6)	(0.2)
MGM China[(b)]	(20.1)	(0.1)
Prosus[(c)]	(9.8)	(0.1)
MCB Bank	(13.4)	(0.1)

[(a)] For the period 31 March 2019 to 30 September 2019.

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

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. Our initial thesis on this stock was based on expectations of a meaningful turn-around in the group's retail discount stores segment, which could have driven the overall group margin. However, weak merchandising, online competition and slowing revenue growth amidst a weak macroeconomic environment have delayed a turnaround. Depreciation in regional currencies further pressured the business. The business also struggled to sell inventory accumulated in the previous trading season – these were marked down and affected margin. Following the release of a profit decline warning, the company reported a loss for the first half of 2019 and did not pay out any dividends. The resignation of the CEO and CFO further impacted sentiment. A new CEO was transferred from Walmart. He has been brought in to turn around the business and we have already seen some management changes aimed at driving sales and margins. We expect greater Walmart involvement that would include leveraging the Walmart supply chain and technology to drive Massmart's online business. We continued to use the price fall gradually to add to our existing position in this stock, as we maintain a positive long-term view on the company's prospects.

Glenmark Pharmaceuticals is a mid-size Indian pharmaceutical company with a presence in both generics and product innovation. The company reported weak second-quarter results with lower-than-expected revenue and earnings driven by lower US revenues and higher research and development costs. Sales in India, however, were a bright spot, recording healthy growth. Delays in US approvals and the launch of a new product for the treatment of seasonal allergic rhinitis, along with regulatory concerns at one of its formulation facilities led shares to fall sharply in June, ending September at a multi-year low. We believe that there is a revenue-cost mismatch in the near term given the investment in innovation research and development (R&D). The company is, however, working towards a spin-off of its innovation R&D business, which could normalise margins and drive stronger free cash flow generation. The company is also planning to divest non-core assets to reduce debt. Given the near-term catalysts and strong Indian business, we used the fall in the share price to add to our position in the stock.

HDC Hyundai Development is one of the leading residential property developers in South Korea. With a strong brand name – "I-Park", the company is estimated to have the largest market share in the residential construction business. Although the company reported better-than-expected first quarter corporate results and higher revenues and net profit in the second quarter, government regulations aimed at curbing housing prices and household debt weighed on profitability. Although HDC has some exposure to hotels and duty-free stores, the company's decision to participate in a bid to acquire Asiana Airlines was viewed unfavourably by investors who found the industry to be unrelated to HDC's main residential business. We are of the opinion that a low interest rate environment, however, is expected to continue to drive housing demand, with the Bank of Korea lowering rates for the first time in three years in July as part of efforts to boost economic growth. We also believe that the group is well placed to benefit from increased fiscal spending to boost infrastructure development in non-metropolitan areas.

Top Contributors and Detractors to Relative Performance by Sector (%)[a]

Top Contributors	MSCI Emerging Markets Index Sector Total Return	Relative Contribution to Portfolio	Top Detractors	MSCI Emerging Markets Index Sector Total Return	Relative Contribution to Portfolio
Information Technology	12.2	1.4	Consumer Staples	8.5	(0.6)
Financials	1.5	1.3	Industrials	0.3	(0.4)
Consumer Discretionary	1.7	1.2	Health Care	(7.7)	(0.3)
Materials	(6.4)	0.6	Utilities[b]	4.8	(0.1)
Communication Services	(2.0)	0.6			
Energy	3.4	0.5			
Real Estate	(3.5)	0.2			

[a] For the period 31 March 2019 to 30 September 2019.

[b] No companies held by TEMIT in this sector.

Favourable stock selection in the information technology, financials and consumer discretionary sectors added to TEMIT's performance relative to the benchmark index in the review period. An overweight exposure relative to the benchmark in the information technology sector further added to relative returns. Asian technology companies were among the top performance contributors as they continue to evolve into global leaders. Although we maintain a positive outlook on the sector, we reduced our holdings in information technology companies during the period to realise gains and rebalance the portfolio following the sector's outperformance. Holdings in the financial and consumer discretionary sectors were also reduced to raise funds for other attractive investment opportunities. Conversely, the consumer staples, industrials and health care sectors mildly detracted from relative returns largely due to the top three detracting securities discussed above. We will continue to monitor the developments at these companies and act accordingly.

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
China/Hong Kong	(3.2)	2.3	United States[b]	–	(0.3)
South Korea	0.2	1.0	Indonesia	3.9	(0.3)
Russia	22.9	0.6	Mexico	5.3	(0.1)
United Kingdom[b]	–	0.4	Pakistan	(14.9)	(0.1)
Saudi Arabia[c]	(4.6)	0.3	Turkey[c]	21.7	(0.1)
Cambodia[b]	–	0.2	Hungary	(2.5)	(0.1)
South Africa	(1.4)	0.2	Thailand	8.9	(0.1)
Taiwan	13.2	0.2	Greece[c]	19.8	(0.0)
Brazil	7.2	0.1	Qatar[c]	6.2	(0.0)
Chile[c]	(6.8)	0.1	Kenya[b]	–	(0.0)

[a] For the period 31 March 2019 to 30 September 2019.

[b] No companies included in the MSCI Emerging Markets Index in this country.

[c] No companies held by TEMIT in this country.

China/Hong Kong was the largest contributor to TEMIT's returns relative to the benchmark index. Both stock selection and an underweight exposure to the underperforming Chinese market had a positive impact. Our selection of stocks in South Korea and overweight exposure to Russia were also among the major contributors to relative returns. NAVER, the dominant search engine in South Korea, and Samsung Electronics, one of the world's largest electronic manufacturers, were key performance drivers in South Korea. We increased our investments in China/Hong Kong and South Korea as we continued to find attractive investment opportunities. Holdings in Russia were, however, reduced as we sold some shares in Gazprom to rebalance the portfolio. In contrast, relative performance was hurt by stock selection in the United States, Indonesia and Mexico. TEMIT's holding in Cognizant Technology Solutions, a US-listed technology services provider that derives most of its earnings from services produced in India, was the key detractor in the United States. We believe that the company remains a strong industry player, especially as it pursues growth in higher-margin digital services, has good cash flow generation and trades at what we consider to be attractive valuations;

we see the potential for a turnaround. The share price fall provided us with an opportunity to increase our holdings at attractive prices. We maintain underweight exposures to Indonesia and Mexico relative to the benchmark and remain comfortable with our position.

Portfolio changes by Sector

						Total Return in sterling	
Sector	**31 March 2019 Market Value £m**	**Purchases £m**	**Sales £m**	**Market Movement £m**	**30 September 2019 Market Value £m**	**TEMIT %**	**MSCI Emerging Markets Index %**
Financials	585	3	(80)	24	532	6.4	1.5
Information Technology	419	43	(42)	58	478	16.0	12.2
Consumer Discretionary	448	25	(104)	21	390	6.5	1.7
Communication Services	227	96	(16)	5	312	3.1	(2.0)
Energy	163	17	(28)	9	161	8.9	3.4
Consumer Staples	152	17	(35)	(3)	131	(2.1)	8.5
Materials	66	47	(22)	(2)	89	0.6	(6.4)
Industrials	52	18	(1)	(10)	59	(16.9)	0.3
Health Care	42	2	–	(11)	33	(26.9)	(7.7)
Real Estate	8	–	(8)	–	–	6.6	(3.5)
Net current liabilities[a]	(44)	–	–	30[b]	(14)	–	–
Total	**2,118**	**268**	**(336)**	**121**	**2,171**		

Sector Asset Allocation
As at 30 September 2019
Sector weightings vs benchmark (%)

	TEMIT	**MSCI Emerging Markets Index**
Financials	24.7	24.6
Information Technology	22.0	15.0
Consumer Discretionary	17.8	13.1
Communication Services	14.4	11.6
Energy	7.4	7.7
Consumer Staples	6.0	6.9
Materials	4.1	7.4
Industrials	2.7	5.4
Health Care	1.5	2.6
Real Estate	–	2.9
Utilities	–	2.8

[a] The Company's net current liabilities per the Statement of Financial Position in the full half-yearly report.

[b] The movement relates to changes in cash, receivables, payables, the loan facility and capital gains tax provision.

Portfolio changes by Country

Country	31 March 2019 Market Value £m	Purchases £m	Sales £m	Market Movement £m	30 September 2019 Market Value £m	Total Return in sterling TEMIT %	Total Return in sterling MSCI Emerging Markets Index %
China/Hong Kong	512	136	(95)	48	601	4.0	(3.2)
South Korea	289	45	(18)	19	335	7.1	0.2
Taiwan	206	–	(8)	26	224	17.2	13.2
Brazil	181	49	(26)	11	215	7.0	7.2
Russia	189	–	(16)	24	197	15.9	22.9
India	162	2	(7)	2	159	2.0	0.8
Other	623	36	(166)	(39)	454	–	–
Net current liabilities[(a)]	(44)	–	–	30[(b)]	(14)		
Total	**2,118**	**268**	**(336)**	**121**	**2,171**		

Geographic Asset Allocation
As at 30 September 2019
Country weightings vs benchmark (%)[(c)]

	TEMIT	MSCI Emerging Markets Index
China/Hong Kong	27.5	31.9
South Korea	15.4	12.2
Taiwan	10.3	11.5
Brazil	9.9	7.4
Russia	9.1	4.0
India	7.2	8.9
United Kingdom[(d)]	3.2	–
Thailand	3.2	2.9
United States[(d)]	3.2	–
South Africa	3.1	4.6
Mexico	2.1	2.5
Indonesia	1.2	2.1
Cambodia[(d)]	1.2	–
Hungary	0.9	0.3
Kenya[(d)]	0.8	–
Pakistan	0.7	–
Philippines	0.6	1.1
Czech Republic	0.5	0.1
Peru	0.4	0.4
Argentina	0.1	0.2
Nigeria[(d)]	–0.0	–

(a) The Company’s net current liabilities per the Statement of Financial Position on in the full half-yearly report.

(b) The movement relates to changes in cash, receivables, payables, the loan facility and capital gains tax provision.

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

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

Portfolio Investments by Fair Value
As at 30 September 2019

Holding	Country	Sector	Trading[a]	Fair Value £'000	% of Net Assets
Samsung Electronics	South Korea	Information Technology	PS	168,315	7.8
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	NT	163,225	7.5
Tencent	China/Hong Kong	Communication Services	IH	132,977	6.1
Alibaba, ADR[b]	China/Hong Kong	Consumer Discretionary	IH	119,732	5.5
ICICI Bank	India	Financials	NT	85,042	3.9
Unilever[c]	United Kingdom	Consumer Staples	PS	68,538	3.2
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	PS	67,825	3.1
NAVER	South Korea	Communication Services	IH	59,698	2.7
LUKOIL, ADR[b]	Russia	Energy	NT	57,579	2.7
Naspers	South Africa	Consumer Discretionary	PS	53,430	2.5
TOP 10 LARGEST INVESTMENTS				**976,361**	**45.0**
Banco Bradesco, ADR[b][d]	Brazil	Financials	IH	51,123	2.4
Sberbank of Russia, ADR[b]	Russia	Financials	NT	50,208	2.3
Cognizant Technology Solutions[c]	United States	Information Technology	IH	49,657	2.3
Itaú Unibanco, ADR[b]	Brazil	Financials	NT	49,280	2.3
LG	South Korea	Industrials	IH	43,594	2.0
China Construction Bank	China/Hong Kong	Financials	NT	37,975	1.7
Banco Santander Mexico, ADR[b]	Mexico	Financials	NT	37,638	1.7
Yandex	Russia	Communication Services	NT	32,496	1.5
CNOOC	China/Hong Kong	Energy	NT	29,102	1.3
Ping An Bank	China/Hong Kong	Financials	PS	27,584	1.3
TOP 20 LARGEST INVESTMENTS				**1,385,018**	**63.8**
Gazprom, ADR[b]	Russia	Energy	PS	27,465	1.3
Astra International	Indonesia	Consumer Discretionary	NT	26,424	1.2
China Mobile	China/Hong Kong	Communication Services	NT	26,190	1.2
Vale	Brazil	Materials	NH	25,785	1.2
Kasikornbank	Thailand	Financials	IH	25,515	1.2
NagaCorp	Cambodia	Consumer Discretionary	PS	25,083	1.2
Infosys Technologies	India	Information Technology	NT	24,781	1.1
China Resources Cement Holdings	China/Hong Kong	Materials	IH	23,931	1.1
Kiatnakin Bank	Thailand	Financials	NT	23,003	1.1
Lojas Americanas	Brazil	Consumer Discretionary	NT	22,592	1.0
TOP 30 LARGEST INVESTMENTS				**1,635,787**	**75.4**

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

[b] US listed American Depositary Receipt.

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

[d] Preferred Shares.

Holding	Country	Sector	Trading[a]	Fair Value £'000	% of Net Assets
Sunny Optical Technology	China/Hong Kong	Information Technology	NH	21,402	1.0
POSCO	South Korea	Materials	IH	21,178	1.0
Ping An Insurance Group	China/Hong Kong	Financials	PS	20,045	0.9
Gedeon Richter	Hungary	Health Care	IH	19,552	0.9
IMAX[c]	United States	Communication Services	NT	19,369	0.9
Bajaj Holdings & Investments	India	Financials	PS	18,338	0.8
Petroleo Brasileiro, ADR[b]	Brazil	Energy	NH	17,575	0.8
Mail.Ru, GDR[e]	Russia	Communication Services	NT	17,141	0.8
Hon Hai Precision Industry	Taiwan	Information Technology	NT	14,999	0.7
Catcher Technology	Taiwan	Information Technology	PS	12,917	0.6
TOP 40 LARGEST INVESTMENTS				**1,818,303**	**83.8**
H&H Group	China/Hong Kong	Consumer Staples	IH	12,891	0.6
Massmart	South Africa	Consumer Staples	IH	12,778	0.6
B3[f]	Brazil	Financials	PS	12,539	0.6
MCB Bank	Pakistan	Financials	NT	12,030	0.6
CTBC Financial Holding	Taiwan	Financials	NT	11,615	0.5
Tata Chemicals	India	Materials	IH	11,473	0.5
China Merchants Bank	China/Hong Kong	Financials	NT	11,319	0.5
HDC Hyundai Development	South Korea	Industrials	NT	10,901	0.5
Baidu, ADR[b]	China/Hong Kong	Communication Services	IH	10,586	0.5
Thai Beverages	Thailand	Consumer Staples	PS	10,571	0.5
TOP 50 LARGEST INVESTMENTS				**1,935,006**	**89.2**
China Petroleum and Chemical	China/Hong Kong	Energy	PS	10,326	0.5
Glenmark Pharmaceuticals	India	Health Care	IH	10,207	0.5
Moneta Money Bank	Czech Republic	Financials	NT	10,047	0.5
NetEase, ADR[b]	China/Hong Kong	Communication Services	PS	9,897	0.5
B2W Digital	Brazil	Consumer Discretionary	NT	9,427	0.4
MGM China	China/Hong Kong	Consumer Discretionary	NT	9,340	0.4
Fila Korea	South Korea	Consumer Discretionary	NH	8,884	0.4
TOTVS	Brazil	Information Technology	PS	8,817	0.4
Nemak	Mexico	Consumer Discretionary	IH	8,572	0.4
Siam Commercial Bank	Thailand	Financials	NT	8,501	0.4
TOP 60 LARGEST INVESTMENTS				**2,029,024**	**93.6**

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

[b] US listed American Depositary Receipt.

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

[e] UK listed Global Depositary Receipt.

[f] Holding changed its name from BM&F Bovespa during the period.

Holding	Country	Sector	Trading[a]	Fair Value £'000	% of Net Assets
Intercorp Financial Services	Peru	Financials	NT	8,359	0.4
Uni-President China	China/Hong Kong	Consumer Staples	PS	8,358	0.4
BDO Unibank	Philippines	Financials	NT	7,773	0.4
PChome Online	Taiwan	Consumer Discretionary	NT	7,668	0.4
Largan Precision	Taiwan	Information Technology	NT	7,352	0.3
SK Innovation	South Korea	Energy	NT	7,238	0.3
M. Dias Branco	Brazil	Consumer Staples	NT	7,213	0.3
East African Breweries	Kenya	Consumer Staples	NT	7,102	0.3
Norilsk Nickel, ADR[b]	Russia	Materials	NT	6,795	0.3
Prosus	China/Hong Kong	Consumer Discretionary	PS	6,760	0.3
TOP 70 LARGEST INVESTMENTS				**2,103,642**	**97.0**
Hanon Systems	South Korea	Consumer Discretionary	NT	6,622	0.3
FIT Hon Teng	Taiwan	Information Technology	NT	6,437	0.3
Coal India	India	Energy	IH	6,282	0.3
Wiz Soluções e Corretagem	Brazil	Financials	NT	5,812	0.3
Equity Group	Kenya	Financials	NT	5,696	0.3
TMK, GDR[e]	Russia	Energy	NT	5,256	0.2
BAIC Motor	China/Hong Kong	Consumer Discretionary	NT	5,129	0.2
KCB Group	Kenya	Financials	PS	4,938	0.2
Hankook Tire	South Korea	Consumer Discretionary	NT	4,935	0.2
Security Bank	Philippines	Financials	PS	4,911	0.2
TOP 80 LARGEST INVESTMENTS				**2,159,660**	**99.5**
MAHLE Metal Leve	Brazil	Consumer Discretionary	NT	4,892	0.2
COSCO Pacific	China/Hong Kong	Industrials	NT	4,324	0.2
KT Skylife	South Korea	Communication Services	NT	3,447	0.2
Dairy Farm	China/Hong Kong	Consumer Staples	PS	2,848	0.1
Biocon	India	Health Care	NT	2,822	0.1
Weifu High-Technology	China/Hong Kong	Consumer Discretionary	NT	2,269	0.1
BBVA Banco Francés, ADR[b]	Argentina	Financials	NT	1,789	0.1
United Bank	Pakistan	Financials	NT	1,391	0.1
Univanich Palm Oil	Thailand	Consumer Staples	PS	612	0.0
Interpark	South Korea	Consumer Discretionary	PS	530	0.0
TOP 90 LARGEST INVESTMENTS				**2,184,584**	**100.6**
Nigerian Breweries	Nigeria	Consumer Staples	NT	183	0.0
TOTAL INVESTMENTS				**2,184,767**	**100.6**
NET CURRENT LIABILITIES				**(13,831)**	**(0.6)**
TOTAL NET ASSETS				**2,170,936**	**100.0**

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

(b) US listed American Depositary Receipt.

(c) Prosus is a Company listed in the Netherlands. The classification of China/Hong Kong is due to a significant proportion of its revenue coming from its holding in Tencent.

(d) UK listed Global Depositary Receipt.

Portfolio Summary

As at 30 September 2019
All figures are in %

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Total Equities	Net current liabilities[a]	30 September 2019 Total	31 March 2019 Total
Argentina	–	–	–	–	0.1	–	–	–	–	–	**0.1**	**–**	**0.1**	**0.2**
Brazil	–	1.6	0.3	0.8	5.6	–	–	0.4	1.2	–	**9.9**	**–**	**9.9**	**8.6**
Cambodia	–	1.2	–	–	–	–	–	–	–	–	**1.2**	**–**	**1.2**	**1.3**
China/Hong Kong	8.3	9.6	1.1	1.8	4.4	–	0.2	1.0	1.1	–	**27.5**	**–**	**27.5**	**24.3**
Czech Republic	–	–	–	–	0.5	–	–	–	–	–	**0.5**	**–**	**0.5**	**0.5**
Hungary	–	–	–	–	–	0.9	–	–	–	–	**0.9**	**–**	**0.9**	**0.9**
India	–	–	–	0.3	4.7	0.6	–	1.1	0.5	–	**7.2**	**–**	**7.2**	**7.7**
Indonesia	–	1.2	–	–	–	–	–	–	–	–	**1.2**	**–**	**1.2**	**3.5**
Kenya	–	–	0.3	–	0.5	–	–	–	–	–	**0.8**	**–**	**0.8**	**0.9**
Mexico	–	0.4	–	–	1.7	–	–	–	–	–	**2.1**	**–**	**2.1**	**2.4**
Nigeria	–	0.0	–	–	–	–	–	–	–	–	**0.0**	**–**	**0.0**	**0.0**
Pakistan	–	–	–	–	0.7	–	–	–	–	–	**0.7**	**–**	**0.7**	**0.8**
Peru	–	–	–	–	0.4	–	–	–	–	–	**0.4**	**–**	**0.4**	**1.2**
Philippines	–	–	–	–	0.6	–	–	–	–	–	**0.6**	**–**	**0.6**	**0.5**
Russia	2.3	–	–	4.2	2.3	–	–	–	0.3	–	**9.1**	**–**	**9.1**	**8.9**
South Africa	–	2.5	0.6	–	–	–	–	–	–	–	**3.1**	**–**	**3.1**	**7.0**
South Korea	2.9	0.9	–	0.3	–	–	2.5	7.8	1.0	–	**15.4**	**–**	**15.4**	**13.7**
Taiwan	–	0.4	–	–	0.5	–	–	9.4	–	–	**10.3**	**–**	**10.3**	**9.6**
Thailand	–	–	0.5	–	2.7	–	–	–	–	–	**3.2**	**–**	**3.2**	**4.2**
United Kingdom	–	–	3.2	–	–	–	–	–	–	–	**3.2**	**–**	**3.2**	**3.2**
United States	0.9	–	–	–	–	–	–	2.3	–	–	**3.2**	**–**	**3.2**	**2.7**
Net current liabilities[a]	–	–	–	–	–	–	–	–	–	–	**–**	**(0.6)**	**(0.6)**	**(2.1)**
30 September 2019 Total	**14.4**	**17.8**	**6.0**	**7.4**	**24.7**	**1.5**	**2.7**	**22.0**	**4.1**	**–**	**100.6**	**(0.6)**	**100.0**	**–**
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**

[a] The Company's net current liabilities per the Statement of Financial Position in the full half-yearly report.

Market Capitalisation Breakdown[a] (%)	Less than £1.5bn	£1.5bn to £5bn	Greater than £5bn	Net current liabilities[b]
30 September 2019	7.4	11.6	81.6	(0.6)
31 March 2019	8.2	19.1	74.8	(2.1)

Split Between Markets[c] (%)	30 September 2019	31 March 2019
Emerging Markets	92.2	93.8
Developed Markets[d]	6.4	5.9
Frontier Markets	2.0	2.4
Net current liabilities[b]	(0.6)	(2.1)

[a] A glossary of alternative performance measure is included in the full half-yearly report.

[b] The Company's net current liabilities per the Statement of Financial Position in the full half-yearly report.

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

[d] Developed markets exposure represented by companies listed in the United Kingdom and United States.

Source: FactSet Research System, Inc.

Market Outlook

Emerging markets have been resilient in the face of negative macro events over the last six months but continue to trade at a wide discount to developed markets. We are of the opinion that the underlying fundamentals in emerging markets do not justify these valuations over the longer term, especially since we believe that the long-term structural drivers of emerging markets remain intact.

Emerging markets continue to demonstrate strong economic potential, with undervalued currencies, high foreign exchange reserves and more favourable debt levels than their developed-market peers. Emerging market fundamentals and corporate governance have also been improving. Emerging market cash flows have increased significantly, especially in the last three years, allowing companies to reduce debt ratios, making more yield available to shareholders.

We believe that 2020 could be another strong year for earnings in emerging markets because, based on what we are seeing, a lot of cyclical recoveries have started to emerge, and they should fully materialise in 2020. These conditions, when paired with improving corporate governance that includes dividend pay-outs and buybacks, present an increasingly attractive long-term buying opportunity for investors and contribute to our optimism in the asset class.

Although the US-China trade conflict has been dominating headlines, it should be stressed that the impact of the conflict has not been limited to China; rather we have seen global implications. While the United States and China reached a verbal agreement in October, de-escalating tensions in the short term, we remain cautious and expect continued market volatility until a more comprehensive deal is finalised.

Slowing economic growth expectations, declining inflationary pressures and easing monetary policies in developed markets have generally led emerging market central banks to turn to more expansionary monetary policies to stimulate their economies. In addition to providing a more conducive operating environment for companies, we expect a low-interest rate environment to lead to greater inflows into higher-yielding assets including emerging market equities.

In this environment, we continue to seek companies that demonstrate sustainable earnings power and potential resilience against market uncertainty. Amongst the portfolio's top holdings are technology and consumer-related companies that are highly competitive and appear well-positioned to gain market share even in the face of macroeconomic challenges.

Many emerging market companies are world leaders in the areas of financials, technology and in the production of consumer goods. We are confident that technology will remain a primary driver in emerging markets, whether manifested through world-leading semiconductor manufacturing, e-commerce or other areas. The growing adoption of technology and growth of digital platforms have also helped to create new goods and services for consumers across emerging markets, while at the same time creating growth opportunities for many emerging market companies and investors.

We are of the opinion that consumerism in emerging markets should help to drive growth in many regions. Growing middle-class populations and increasing affluence continue to spur demand for high-end products in emerging markets. In our view, companies with superior products and services should experience sustainable growth in the years to come.

We will continue to use our experience, expertise and proven investment philosophy to find the companies we believe are best positioned to capitalise on the growth in emerging markets and seek to manage risk - increasing the value of investment over time for our shareholders.

Chetan Sehgal
Lead Portfolio Manager
25 November 2019

Statement of Comprehensive Income
For the six months to 30 September 2019

		For the six months to 30 September 2019 (unaudited)		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments and foreign exchange				
Gains/(losses) on investments at fair value		–	90,470	90,470
Gains/(losses) on foreign exchange		–	(1,251)	(1,251)
Revenue				
Dividends		52,549	–	52,549
Bank and deposit interest		307	–	307
		52,856	**89,219**	**142,075**
Expenses				
AIFM fee		(2,996)	(6,990)	(9,986)
Other expenses		(1,080)	–	(1,080)
		(4,076)	**(6,990)**	**(11,066)**
Profit/(loss) before finance costs and taxation		**48,780**	**82,229**	**131,009**
Finance costs		(437)	(1,021)	(1,458)
Profit/(loss) before taxation		**48,343**	**81,208**	**129,551**
Tax (expense)/income	5	(3,815)	256	(3,559)
Profit/(loss) for the period		**44,528**	**81,464**	**125,992**
Profit/(loss) attributable to equity holders of the Company		**44,528**	**81,464**	**125,992**
Earnings per share	2	**17.90p**	**32.74p**	**50.64p**
Ongoing charges ratio[a]				**1.02%**

[a] A glossary of alternative performance measures is included in Shareholder Information in the full half-yearly report.

Under the Company's Articles of Association the capital element of return is not distributable. The total column of this statement represents the profit and loss account of the Company.

70% of the annual Alternative Investment Fund Manager ("AIFM") fee and 70% of the finance costs have been allocated to the capital account.

From 1 July 2018, the annual AIFM fee was reduced from 1% of net assets up to £2 billion and 0.85% of net assets above that level to 1% of net assets up to £1 billion and 0.85% above that level.

For the six months to 30 September 2018 (unaudited)			Year ended 31 March 2019 (audited)		
Revenue £’000	**Capital £’000**	**Total £’000**	**Revenue £’000**	**Capital £’000**	**Total £’000**
–	(60,271)	(60,271)	–	(3,892)	(3,892)
–	(5,994)	(5,994)	–	(6,184)	(6,184)
43,136	–	43,136	59,230	–	59,230
157	–	157	439	–	439
43,293	**(66,265)**	**(22,972)**	**59,669**	**(10,076)**	**49,593**
(3,133)	(7,311)	(10,444)	(5,954)	(13,892)	(19,846)
(986)	–	(986)	(1,935)	–	(1,935)
(4,119)	**(7,311)**	**(11,430)**	**(7,889)**	**(13,892)**	**(21,781)**
39,174	**(73,576)**	**(34,402)**	**51,780**	**(23,968)**	**27,812**
(636)	(1,488)	(2,124)	(1,111)	(2,603)	(3,714)
38,538	**(75,064)**	**(36,526)**	**50,669**	**(26,571)**	**24,098**
(4,777)	(507)	(5,284)	(5,798)	(692)	(6,490)
33,761	**(75,571)**	**(41,810)**	**44,871**	**(27,263)**	**17,608**
33,761	**(75,571)**	**(41,810)**	**44,871**	**(27,263)**	**17,608**
12.73p	**(28.50)p**	**(15.77)p**	**17.26p**	**(10.48)p**	**6.78p**
		0.98%			**1.02%**

Statement of Financial Position
As at 30 September 2019

	As at 30 September 2019 £'000 (unaudited)	As at 30 September 2018 £'000 (unaudited)	As at 31 March 2019 £'000 (audited)
Non-current assets			
Investments at fair value through profit or loss	**2,184,767**	**2,200,145**	**2,162,435**
Current assets			
Trade and other receivables	8,811	7,299	11,612
Cash and cash equivalents	100,287	41,213	73,213
Total assets	**109,098**	**48,512**	**84,825**
Current liabilities			
Bank loans	(117,132)	(124,769)	(124,844)
Trade and other payables	(4,703)	(3,488)	(2,654)
Capital gains tax provision	(1,094)	(1,434)	(1,578)
Total current liabilities	**(122,929)**	**(129,691)**	**(129,076)**
Net current liabilities	**(13,831)**	**(81,179)**	**(44,251)**
Total assets less current liabilities	**2,170,936**	**2,118,966**	**2,118,184**
Share capital and reserves			
Equity Share Capital	66,582	69,480	68,045
Capital Redemption Reserve	16,087	13,189	14,624
Capital Reserve	1,528,489	1,491,983	1,492,845
Special Distributable Reserve	433,546	433,546	433,546
Revenue Reserve	126,232	110,768	109,124
Equity Shareholders' Funds	**2,170,936**	**2,118,966**	**2,118,184**
Net Asset Value pence per share[(a)]	884.1	821.1	842.5

[(a)] Based on shares in issue excluding shares held in Treasury.

Statement of Changes in Equity
For the six months to 30 September 2019 (unaudited)

	Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 31 March 2018	**69,480**	**13,189**	**1,667,608**	**433,546**	**116,989**	**2,300,812**
Profit for the period	–	–	(75,571)	–	33,761	(41,810)
Equity dividends	–	–	–	–	(39,982)	(39,982)
Purchase and cancellation of own shares	–	–	–	–	–	–
Purchase of shares into Treasury	–	–	(100,054)	–	–	(100,054)
Balance at 30 September 2018	**69,480**	**13,189**	**1,491,983**	**433,546**	**110,768**	**2,118,966**
Profit for the period	–	–	48,308	–	11,110	59,418
Equity dividends	–	–	–	–	(12,754)	(12,754)
Purchase and cancellation of own shares	(1,435)	1,435	(41,386)	–	–	(41,386)
Purchase of shares into Treasury	–	–	(6,060)	–	–	(6,060)
Balance at 31 March 2019	**68,045**	**14,624**	**1,492,845**	**433,546**	**109,124**	**2,118,184**
Profit for the period	–	–	81,464	–	44,528	125,992
Equity dividends	–	–	–	–	(27,420)	(27,420)
Purchase and cancellation of own shares	(1,463)	1,463	(45,820)	–	–	(45,820)
Balance at 30 September 2019	**66,582**	**16,087**	**1,528,489**	**433,546**	**126,232**	**2,170,936**

Cash Flow Statement
For the six months to 30 September 2019

	For the six months to 30 September 2019 £000 (unaudited)	For the six months to 30 September 2018 £000 (unaudited)	For the year to 31 March 2019 £000 (audited)
Cash flows from operating activities			
Profit before finance costs and taxation	131,009	(34,402)	27,812
Adjustments for:			
(Gains)/losses on investments at fair value	(90,470)	60,271	3,892
(Gains)/losses on foreign exchange	1,251	5,994	6,184
Stock dividends received in period	(103)	–	(511)
(Increase)/decrease in receivables	(202)	1,897	287
Increase/(decrease) in payables	152	1,694	1,670
Cash generated from operations	**41,637**	**35,454**	**39,334**
Tax paid	(4,043)	(4,777)	(5,839)
Net cash inflow from operating activities	**37,594**	**30,677**	**33,495**
Cash flows from investing activities			
Purchases of non-current financial assets	(266,769)	(94,577)	(262,622)
Sales of non-current financial assets	337,897	198,319	458,308
Net cash inflow from investing activities	**71,128**	**103,742**	**195,686**
Cash flows from financing activities			
Equity dividends paid	(27,420)	(39,982)	(52,736)
Purchase and cancellation of own shares	(45,058)	–	(40,972)
Repurchase of shares into treasury	–	(99,022)	(106,543)
Movement in bank loans outstanding	(7,677)	(19,878)	(19,872)
Bank loans interest and fees paid	(1,493)	(2,167)	(3,688)
Net cash outflow from financing activities	**(81,648)**	**(161,049)**	**(223,811)**
Net increase/(decrease) in cash	**27,074**	**(26,630)**	**5,370**
Cash at the start of the period	73,213	67,843	67,843
Cash at the end of the period	**100,287**	**41,213**	**73,213**

Reconciliation of Liabilities Arising from Bank Loans

	Liability as at 31 March 2019 £000	Cash flows £000	Non-cash movements FX movement £000	Non-cash movements Profit & Loss £000	Liability as at 30 September 2019 £000
Bank loans	124,679	(7,677)	–	–	117,002
Interest and fees	165	(1,493)	–	1,458	130
Total bank loans liabilities	**124,844**	**(9,170)**	–	**1,458**	**117,132**

1 Basis of preparation

The Half Yearly Report for the period ended 30 September 2019 has been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union and applied in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”.

The Company has adopted the Statement of Recommended Practice (“SORP”) for investment trusts issued by the Association of Investment Companies (“AIC”) issued in November 2014 and updated in October 2019 insofar as the SORP is compatible with IFRS. The accounting policies applied in these half yearly accounts are consistent with those applied in the accounts for the twelve months ended 31 March 2019.

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2019 and 30 September 2018 has not been audited. The figures and financial information for the year ended 31 March 2019 are extracted from the published accounts and do not constitute the statutory accounts for that period. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditors, which was unqualified and did not include a statement under sections 498(2) or 498(3) of the Companies Act 2006.

As at 30 September 2019, the Company had net current liabilities of £13,831,000 (31 March 2019: £44,251,000). The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2 Earnings per share

	For the six months to 30 September 2019 £000	**For the six months to 30 September 2018 £000**	**For the year to 31 March 2019 £000**
Revenue profit	44,528	33,761	44,871
Capital profit/(loss)	81,464	(75,571)	(27,263)
Total	**125,992**	**(41,810)**	**17,608**
Weighted average number of shares in issue	248,756,861	265,126,333	259,970,471
Revenue profit per share	17.90p	12.73p	17.26p
Capital profit/(loss) per share	32.74p	(28.50p)	(10.48p)
Total profit/(loss) per share	**50.64p**	**(15.77p)**	**6.78p**

3 Equity share capital

In the six months to 30 September 2019, the Company bought back 5,851,774 shares for cancellation for a total consideration of £45,820,000.

In the six months to 30 September 2018, the Company bought back 13,913,569 shares and placed them in Treasury for a total consideration of £100,054,000.

Shares of 25p each	**For the six months to 30 September 2019**	**For the six months to 30 September 2018**	**For the year to 31 March 2019**
Opening shares balance	251,416,170	271,962,342	271,962,342
Purchase and cancellation of own shares	(5,851,774)	–	(5,737,604)
Purchase of shares into Treasury	–	(13,913,569)	(14,808,568)
Closing shares balance	**245,564,396**	**258,048,773**	**251,416,170**

As at 30 September 2019 the Company held 20,765,179 shares in treasury (31 March 2019: 20,765,179 shares).

4 Dividends

On 25 November 2019 the Board declared an interim dividend of 5.00 pence per share for the financial year 2020 (interim dividend for the financial year 2019: 5.00 pence per share) and a special dividend of 2.60 pence per share. The total of 7.60 pence per share is payable on 15 January 2020 to shareholders on the register on 6 December 2019. These dividends have not been accrued in the financial statements for the six months ended 30 September 2019, as under IFRS dividends are not recognised until paid. Dividends are debited directly from reserves.

5 Taxation

The total tax expense of £3.56m consists of a revenue tax expense of £3.82m and a capital tax income of £0.26m. The revenue tax expense relates to irrecoverable overseas tax on dividends. The capital tax income consists of £0.48m arising from a decrease in the provision for deferred tax on unrealised gains on Indian holdings offset by a £0.22m expense arising from tax on realised gains on Indian and Indonesian holdings.

6 Costs of Investment Transactions

During the period, expenses were incurred in acquiring or disposing of investments. The following costs of transactions are included in the gains/(losses) on investments at fair value:

	For the six months to 30 September 2019 £000	**For the six months to 30 September 2018 £000**	**For the year to 31 March 2019 £000**
Purchase expenses	384	245	478
Sales expenses	363	515	999
	747	**760**	**1,477**

7 Fair Value

Fair values are derived as follows:

– Where assets are denominated in a foreign currency, they are converted into the sterling amount using period end rates of exchange;

– Non-current financial assets on the basis set out in the accounting policies; and

– Cash at the denominated currency 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); and
Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy valuation of listed investments through profit and loss are shown below:

	30 September 2019 £000	**30 September 2018 £000**	**31 March 2019 £000**
Level 1	2,184,767	2,200,145	2,115,417
Level 2	–	–	–
Level 3	–	–	47,018[a]
Total	**2,184,767**	**2,200,145**	**2,162,435**

[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 the Company's accounting policy, 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.

8 General

The Half Yearly Report for the six months to 30 September 2019 was approved by the Board on 25 November 2019. A copy of the report is available on our website www.temit.co.uk.

Copies will be uploaded and available for viewing on the National Storage Mechanism, copies will also be posted to the website www.temit.co.uk and may also be requested during normal business hours from Client Dealer Services at Franklin Templeton Investment Management Limited on freephone 0800 305 306. A pdf version of the full Half Yearly Report to 30th September 2019 will be available by accessing the following hyperlink http://www.temit.co.uk/content-common/semi-annual-report/en_GB/local-GB/TEMIT-semi-annual-report.pdf

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