

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

Company Overview

Launched 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 traded 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, taking into account the wider community of stakeholders, 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.

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 £1.8 billion as at 31 March 2020.

Since launch to 31 March 2020, TEMIT’s net asset value (“NAV”) total return was +2,963.9% compared to the benchmark total return of +1,308.7%.

TEMIT at a glance

For the year to 31 March 2020

Total return for the year to 31 March 2020 ^(a)		
Net asset value	Share price	Benchmark ^(b)
-11.2%	-12.1%	-13.2%
(2019: 1.8%)	(2019: 6.0%)	(2019: 0.1%)

Dividends for the year to 31 March 2020 ^(c)	
Proposed total ordinary dividend	Special dividend
19.00p	2.60p
(2019: 16.00p)	(2019: n/a)

^(a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.

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

^(c) An annual ordinary dividend of 19.00 pence per share for the year ended 31 March 2020 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 15 January 2020 and the proposed final dividend of 14.00 pence per share. In addition, a special dividend of 2.60 pence per share was paid by the Company on 15 January 2020.

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2020, 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 and having regard for the interests of all stakeholders, by bringing together in one place key information about the Company's strategy, the risks that it faces, how it is performing and the outlook.

Financial Summary

		Year ended 31 March 2020	Year ended 31 March 2019	Capital return %	Total return %
2019-2020	Notes				
Total net assets (£ million)	(a)	1,775.7	2,118.2		
Net asset value (pence per share)		732.3	842.5	(14.2)	(11.2)
Highest net asset value (pence per share)		971.4	868.9		
Lowest net asset value (pence per share)		705.6	740.0		
Share price (pence per share)		657.0	766.0	(15.5)	(12.1)
Highest end of day share price (pence per share)		876.0	769.0		
Lowest end of day share price (pence per share)		578.0	649.0		
MSCI Emerging Markets Index				(15.7)	(13.2)
Share price Discount to net asset value at year end	(a)	10.3%	9.1%		
Average share price discount to net asset value over the year		10.7%	12.0%		
Ordinary dividend (pence per share)	(b)	19.00	16.00		
Special dividend (pence per share)	(c)	2.60	—		
Revenue earnings (pence per share)	(d)	24.40	17.26		
Capital earnings (pence per share)	(d)	(116.75)	(10.48)		
Total earnings (pence per share)	(d)	(92.35)	6.78		
Net gearing	(a)	0.7%	2.4%		
Ongoing charges ratio	(a)	1.02%	1.02%		

Source: Franklin Templeton and FactSet.

- (a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.
- (b) An annual ordinary dividend of 19.00 pence per share for the year ended 31 March 2020 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 15 January 2020 and a proposed final dividend of 14.00 pence per share.
- (c) Special dividend of 2.60 pence per share paid by the Company on 15 January 2020.
- (d) The revenue, capital and total earnings per share figures are shown in the Statement of Comprehensive Income on page 77 of the full Annual Report and Note 7 of the Notes to the Financial Statements.

Ten Year Record

2010-2020

Year ended	Total net assets (£m)	NAV (pence per share)	Share price (pence per share)	Year-end discount (%)	Revenue earnings (pence per share)	Annual dividend (pence per share)	Ongoing charges ratio^(a) (%)
31 Mar 2010 ^(b)	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	1.02
31 Mar 2020	1,775.7	732.3	657.0	10.3	24.40	19.00 ^(c)	1.02

Ten year growth record
(rebased to 100.0 at 31 March 2010)

2010-2020

Year ended	NAV	NAV total return^(a)	Share price	Share price total return^(a)	MSCI Emerging Markets Index total return	Revenue earnings per share – undiluted	Dividend per share
31 Mar 2010 ^(b)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
31 Mar 2011	115.8	116.3	114.4	115.2	112.4	213.2	113.3
31 Mar 2012	102.6	103.8	102.0	103.4	103.2	274.7	153.3
31 Mar 2013	113.2	115.3	111.0	113.8	111.1	293.4	166.7
31 Mar 2014	95.4	98.5	91.3	94.7	100.1	317.4	193.3
31 Mar 2015	103.4	107.9	96.4	101.2	113.3	322.2	220.0
31 Mar 2016	84.5	89.5	78.7	83.9	103.3	244.8	220.0
31 Mar 2017	123.0	132.2	114.6	124.5	139.7	228.8	220.0
31 Mar 2018	136.4	148.6	128.8	141.6	156.1	552.1	400.0
31 Mar 2019	135.8	151.2	132.8	150.1	156.2	599.3	426.7
31 Mar 2020	118.1	134.4	113.9	131.9	135.6	847.2	506.7

Source: Franklin Templeton and FactSet.

(a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.

(b) 11 months to 31 March 2010.

(c) An annual ordinary dividend of 19.00 pence per share for the year ended 31 March 2020 has been proposed. This comprises the interim dividend of 5.00 pence per share paid by the Company on 15 January 2020 and a final dividend of 14.00 pence per share. It excludes the special dividend of 2.60 pence per share paid by the Company on 15 January 2020.

Chairman's Statement

Market overview and investment performance

Returns for the year under review were dominated by the outbreak of the COVID-19 pandemic in the early months of 2020.

For the first nine months of the accounting year returns were positive, if at times volatile, and by the end of the nine months to the end of December 2019 our Investment Manager had achieved a NAV total return of 12.6%, which was over 6% ahead of the benchmark. This, of course, all changed in the first quarter of 2020, with March being particularly challenging. The NAV total return for the year was -11.2%, which compares with a fall of 13.2% by the benchmark.

Since the year end markets have recovered and the NAV return in the current financial year to the time of writing (21 May 2020) is 12.5%, which compares with a return of 11.5% by the benchmark.

Management arrangements

As the scale of the pandemic became apparent our Investment Manager implemented its group-wide business continuity plan, with our Portfolio Managers and the majority of staff in supporting functions working from home. As part of a global organisation with offices located around the world our Portfolio Managers were well placed to deal with remote working. They were already used to operating from multiple offices and liaising with team members regularly working remotely as they travelled to visit investee companies. While the scale of the effort behind the scenes at Franklin Templeton has been substantial, I am pleased to report that from the Board's perspective communication has remained good and the transition to a different way of working has been seamless.

Revenue, earnings and dividend

Total revenue earnings for the accounting year were 24.40 pence per share, including 2.60 pence per share received as a special dividend from Brilliance China Automotive. Excluding the amount received from Brilliance China Automotive, earnings were 21.80 pence per share, compared with 17.26 pence last year. An interim dividend of 5.00 pence and an additional special dividend of 2.60 pence per share, being the amount received from Brilliance China Automotive, were paid on 15 January 2020. The Board recommends a final dividend of 14.00 pence per share for approval at the Annual General Meeting ("AGM"), making total ordinary dividends for the year 19.00 pence and total dividends including the special dividend 21.60 pence.

Shareholders should note that the vast majority of the Company's revenues were received before the full effect of the COVID-19 pandemic became apparent. Further, as we have regularly stated in the past, the Company's investment strategy and the Investment Manager's approach to investment are focused on generating capital returns and we do not target a particular level of income. Nevertheless, the Board recognises that dividends are appreciated by many shareholders and, noting the Company's substantial revenue reserves, it is our hope at least to maintain the level of ordinary dividends for the foreseeable future.

After the end of the financial year end in April 2020 we were informed by the UK tax authorities that TEMIT was entitled to a substantial repayment amounting to 11.0 pence per share and relating to Corporation Tax which was incorrectly levied some years ago, along with associated interest. This repayment will be accounted for in the 2020/21 financial year.

Borrowing

The previous £220 million multi-currency revolving credit agreement with Scotiabank matured on 31 January 2020 and was replaced with two new debt facilities with the same bank. The previous multi-currency revolving credit facility was amended and restated with effect from 31 January 2020, for a term expiring on 31 January 2023 and with a limit on borrowings of £120 million. Interest on borrowings under this facility will be based on market rates at the time of each drawdown. In addition, the Company agreed a £100 million fixed rate loan for a five year term, maturing on 31 January 2025 at an annual interest rate of 2.089%. The £100 million fixed term loan is denominated in pounds sterling. Drawings under the £120 million revolving credit facility may be in pounds sterling, US dollars or Chinese renminbi ("CNH"). The maximum amount which may be drawn down in CNH is 45% of the combined limit of the fixed rate facility and of the revolving credit facility.

The Board reviewed the effects of borrowing with the aim of increasing investment returns. We concluded that it may be in shareholders' interests to extend the facility at a time when the outlook for emerging markets remains positive notwithstanding the challenges of the COVID-19 outbreak and when interest rates were low. The £100 million fixed rate borrowing will be in place for five years, while the Investment Manager has the discretion to make drawdowns under the revolving credit facility as investment opportunities arise, subject to overall supervision by the Board.

While the fixed rate borrowing was drawn down on 31 January and will remain in place for five years, the Investment Manager took the view in light of the level of volatility at the time not to draw any of the revolving credit facility.

The Company's investment policy which allows borrowing of up to 10% of net assets is unchanged.

The discount

As reported in the Half Yearly Report, during the first half of our accounting year the discount was relatively stable. However, the COVID-19 outbreak had a severe effect on volatility in the first quarter of 2020 and this put pressure on the discount as well as the net asset value. The Board and Investment Manager continued to focus on the discount and, following the pattern of recent years, share buybacks were used on the majority of days in the period under review with the aim of reducing the volatility of the discount. I am able to report that, while the discount ended the accounting year a little wider than at the start of the year, it has not widened by as much as might be expected in such difficult markets. The discount started the year under review at 9.1%, was as wide as 19.9% in the midst of the COVID-19 outbreak but finished the accounting year at 10.3%.

AIFM fees

The current annual management fee is 1% of net assets up to £1 billion and 0.85% of net assets above that level. With effect from 1 July 2020, the fee rate will remain at 1% of net assets up to £1 billion but will be reduced to 0.80% of net assets above that level.

Investor communications

Investor communications remain a key part of our strategy both to keep investors informed and to encourage new investment to help to control the discount.

Our website www.temit.co.uk displays the latest news, price and performance information, portfolio details, updates from the Investment Manager and a blog discussing topical issues in emerging markets. 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. During the COVID-19 outbreak we have continued to provide information to a wide variety of commentators and our Portfolio Manager Andrew Ness held our first public webinar on 26 March. A transcript is available on our website.

While the Investment Manager will, in most cases, be best placed to handle enquiries, I remain 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 the full annual report.

The Board

Gregory Johnson will step down from the Board at this year's AGM, having represented Franklin Templeton on the Board of TEMIT since 2007. He is Executive Chairman of the Board of Franklin Resources, inc. and until February of this year was also its Chief Executive Officer. The Board is grateful to him for his invaluable contribution to the TEMIT Board. As well as bringing to the TEMIT Board the benefit of his many years of experience in the investment management industry, he has always ensured that TEMIT has a high profile within Franklin Templeton and that the service which TEMIT receives from Franklin Resources is of a high standard.

Promoting the long term success of the Company

New regulations require Directors to explain more fully how they have discharged their duties under the Companies Act 2006 in promoting the success of their companies for the benefit of "members as a whole". We have set out a detailed review starting on page 11 of the full Annual Report.

Proposed changes to the Company's Articles of Association

At this year's Annual General Meeting we are proposing a number of changes to the Company's Articles of Association, having last updated the Articles ten years ago. The principal changes are to facilitate remote attendance at meetings, including so-called "hybrid" meetings at which shareholders can attend a meeting and ask questions from another location rather than at the meeting venue and are the result of the experiences of other companies in holding general meetings during the COVID-19 outbreak. We have also introduced an upper limit on total directors' fees of £400,000 per year. This change does not affect current remuneration levels, which are described in the Directors' Remuneration Report. The other changes are minor and technical in nature, and all of the changes are designed to bring the Articles up to date and into line with currently accepted best practice.

Outlook

At the time of writing, most countries around the world are only in the earliest stages of lifting the restrictions which were put into place to manage the spread of COVID-19. Asia, where the pandemic started, is the first region to relax some controls and China and South Korea in particular are seeking to return to a more normal way of working.

Economic damage has been substantial and the true scale of this will only be apparent in years to come. Markets have recovered from the lows experienced earlier this year but we should not be complacent as there will inevitably be further periods of high

volatility in share prices. Our Investment Manager has always taken a long term view of portfolio investments and sought to screen out the effects of market noise in its evaluations of companies. Clearly, the potential effects of the pandemic will require a lot of continuing analysis of the prospects of individual companies but we have the advantage of a large team of portfolio managers and analysts based on the ground all around the world. Notwithstanding the risk of further unpredictable falls in share prices in the short term, the Board remains confident in the ability of the Investment Manager to deliver above average investment returns in the longer term.

Annual General Meeting

The Board is monitoring closely developments in relation to the COVID-19 situation. The health of the Company's shareholders, as well as staff who would normally attend the meeting, is of paramount importance. The Board would normally welcome the Annual General Meeting as an opportunity to present to you on the Company's strategy and performance, and listen and respond to your questions in person. However, due to the situation at the time of the full Annual Report (including restrictions on travel and social contact), this year the Board is asking that shareholders do not attend the Meeting. The Board encourages shareholders to submit their proxies as early as possible, to enable your vote to be counted, and to follow all government guidance and requirements. In light of the evolving situation, it may in any case be necessary to change the arrangements for this year's Meeting after the date of this Notice. We encourage shareholders to monitor the Company's website, regulatory news and other published notifications for any further updates in relation to the Meeting. More details of the Meeting can be found on pages 100 to 108 of the full Annual Report.

Paul Manduca
Chairman

4 June 2020

Strategy and Business Model

Company objective, purpose and culture

TEMIT's purpose is to provide both private and institutional investors with the opportunity for capital appreciation via a professionally managed vehicle focused on listed equity investment in emerging markets.

The objective of TEMIT is to provide long-term capital appreciation for private and institutional investors seeking exposure to global emerging markets, supported by a culture of 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 it believes 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. Investments may also be made in companies outside the benchmark that meet the investment criteria. 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.

Distribution policy

The distribution policy has been approved by the Board and is published on the Company's website.

The Company will ensure that its total annual dividends will be paid out of the profits available for distribution under the provisions of the relevant laws and regulations and will be at least sufficient to enable it to qualify as an investment trust under the UK Income and Corporation Taxes Act. If the Company has received an exceptional level of income in any accounting year, the Board may elect to pay a special dividend. The primary focus of the investment policy is on generating capital returns, the Company does not target a particular level of income and there is no guarantee that dividend levels will be maintained from one year to the next.

The Company will normally pay two dividends per year, an interim dividend declared at the time that the half yearly results are announced, and a final dividend declared at the time that the annual results are announced. The final dividend will be subject to shareholder approval at the Annual General Meeting each year.

Dividends will be paid by cheque or by direct transfer to a shareholder's bank account. For UK shareholders holding shares in their own name on the Company's main register, the dividend payments can be used to purchase further shares in the Company under the Dividend Reinvestment Plan.

The Company may also distribute capital by means of share buybacks when the Board believes that it is in the best interests of shareholders to do so. The share buy back programme will be subject to shareholder approval at each Annual General Meeting.

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 Franklin Templeton Emerging Markets Equity ("FTEME" or the "Investment Manager"), a wide range of risk factors that may impact the Company. Further analysis of these risks is described on pages 14 to 17 of the full Annual Report. A full risk and internal controls review is held every September at the Audit Committee meeting.

Due to the nature of the Company's business, investment risk is a key focus and is reviewed on an ongoing basis by the Investment Manager as part of every investment decision. Further information on this process is detailed on page 24 of the full Annual Report.

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

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. Further details are provided on pages 11 and 12 of the full Annual Report. 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 21 to 24 of the full Annual Report for details of the investment process.

Liquidity

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

Gearing

On 31 January 2020, the Company entered into a five year £100 million loan at a fixed rate of 2.089% with Scotiabank Europe PLC, and a three-year £120 million unsecured multi-currency revolving loan facility with The Bank of Nova Scotia, London Branch. The £100 million fixed term loan is denominated in pounds sterling. Drawings under the £120 million revolving credit facility may be in sterling, US dollars or Chinese renminbi ("CNH"). The total amount which may be drawn down in CNH is 45% of the combined limit of the fixed rate loan and of the revolving loan facility. The fixed rate loan was drawn down on 31 January 2020 and will remain in place until 31 January 2025. The Investment Manager has been granted discretion by the Board to draw down the revolving loan facility 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 0.7% (net of cash in the portfolio) at the year-end (2019: 2.4%). The Directors' Report on page 49 of the full Annual Report includes further commentary on the gearing facility.

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

Stability

The Company has powers to buy back its shares as a discount control mechanism when it is in the best interests of the Company's shareholders and in 2019 introduced a Conditional Tender Offer. The share price and discount are discussed under Key Performance Indicators on page 13 of the full Annual Report.

Affirmation of shareholder mandate

In accordance with the Company's Articles of Association, the Board must seek shareholders' approval every five years for TEMIT to continue as an investment trust. This allows shareholders the opportunity to decide on the long-term future of the Company. The last continuation vote took place at the 2019 AGM, when 99.95% of the votes cast were registered as votes in favour. The next continuation vote will take place at the 2024 AGM. The Board has agreed that it will hold a 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 total return) over the five year period from 31 March 2019 to 31 March 2024. However, if over the five year period 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 AGM.

Communication

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

TEMIT seeks to keep you updated on performance and investment strategy through our regular annual and half yearly reports, along with monthly factsheets. These are available on our website (www.temit.co.uk) which also contains portfolio holdings information,

updates from the Investment Manager and other important documents that will help shareholders understand how their investment is managed. We also communicate via @TEMIT on Twitter and continue to develop our presence on social media.

TEMIT has an active public relations programme. Our Investment Manager provides comments to journalists and occasionally publishes articles on issues relevant to investing in emerging markets.

The Investment Manager regularly meets professional investors and analysts and at each AGM makes a presentation with the opportunity for all shareholders to ask questions. In March of this year and in reaction to the COVID-19 lock down we made available our first public webinar. As shareholders will not be able to attend in person, this year's AGM presentation will be made available on our website.

The Chairman regularly meets major shareholders to discuss investment performance and developments in corporate governance. Shareholders are welcome to contact the Chairman at any time.

The Board is fully committed to TEMIT's marketing programme. We have a substantial annual marketing budget and expenditure by TEMIT is matched by a contribution to costs from the Manager.

Service providers

The Board conducts regular reviews of the Company's primary service providers, as discussed on pages 50 and 51 of the full Annual Report, to ensure that the services provided are of the quality expected by TEMIT. The Directors also ensure that the Company's primary service providers have adopted an appropriate framework of controls, monitoring and reporting to enable the Directors to evaluate risk.

Promoting the success of the Company

New regulations (The Companies (Miscellaneous Reporting) Regulations 2018) require directors to explain more fully how they have discharged their duties under section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of "members as a whole" and having regard for all stakeholders.

The Board considers the main stakeholders in the Company to be its shareholders and its service providers detailed on pages 50 and 51 of the full Annual Report, the principal one of which is its Manager. A summary of the key areas of engagement undertaken by the Board with its main stakeholders in the year under review and how Directors have acted upon this to promote the long-term success of the Company are set out in the following table.

Area of Engagement	Consideration	Engagement	Outcome
Discount management	To smooth the volatility in the discount.	The Board monitors closely the discount and discusses discount strategy with the Investment Manager and the Company's stockbroker on an ongoing basis.	TEMIT continues to adopt an active buy back policy and in last year's Annual Report announced a Conditional Tender Offer. Details of this can be found on page 10 of the full Annual Report.
		The Board also meets with the Manager to discuss the Company's marketing strategy to ensure effective communication with existing shareholders and to consider strategies to create additional demand for the Company's shares.	Further details on the current discount and discount management are detailed on page 6 of the full Annual Report.

Company objective	Delivering on the Company's objective to shareholders over the long term.	<p>The Company's objective and investment policy are set out on page 8 of the full Annual Report.</p> <p>The Company's performance against its objective is regularly reviewed by the Board, taking account of views expressed by shareholders.</p> <p>The Company holds a continuation vote every five years to allow shareholders to decide on the long-term future of the Company.</p>	<p>The Investment Manager's report starting on page 20 of the full Annual Report gives full commentary on the Company's portfolio as well as on the approach and considerations undertaken by the Investment Manager for stock selection within the portfolio.</p> <p>A continuation vote took place at the 2019 AGM, with 99.95% of votes cast in favour.</p>
Dividend	The Board recognises the importance of regular dividend income to many shareholders.	<p>The Board reviews regularly the level of dividends, taking account of the income generated by the Company's portfolio and the availability of reserves.</p> <p>In considering the sustainability of the dividend and of the Company, the Board reviews the models supporting the going concern assessment and viability statement. In this review it factored in the higher than normal cash distribution in the current year. However, future dividends have been modelled in line with the distribution policy.</p>	<p>Dividend payments are discussed in the Chairman's Statement.</p> <p>In the year under review the Board decided to pay a special dividend.</p>
Communication with shareholders	The Board understands the importance of communication with its shareholders.	Working closely with the Manager the Board ensures that there is a variety of regular communication with shareholders.	<p>Full details of all Board and Manager communication is included on page 10 of the full Annual Report.</p> <p>Shareholders are invited to submit questions for the Board to address at the Company's Annual General Meeting.</p>
Engagement with service providers	<p>The Board encourages regular open communication with its Manager.</p> <p>The Board acknowledges the importance of ensuring that the Company's service providers are providing a suitable level of service, that the service level is sustainable and that they are fairly remunerated for their service.</p>	<p>The Board holds quarterly meetings with the Manager where it reviews and discuss performance reports and changes in the portfolio composition.</p> <p>The Board undertakes an annual review of the performance of its service providers. This review also includes the level of fees paid.</p>	<p>Alignment between the Board and Manager on investment strategy.</p> <p>As announced in the Chairman's Statement the level of fees paid to the Manager will reduce effective 1 July 2020</p>

Key Performance Indicators^(a)

The Board considers the following to be the key performance indicators (“KPI”) for the Company:

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

The Ten Year Record of the KPIs is shown on pages 3 and 4 of the full Annual Report.

Net asset value performance

Net asset value performance data is presented within the Company Overview on page 1 of the full Annual Report along with the Ten Year Record on pages 3 and 4 of the full Annual Report.

The Chairman’s Statement on pages 5 to 7 of the full Annual Report and the Investment Manager’s Report on pages 20 to 42 of the full Annual Report include further commentary on the Company’s performance.

Share price and discount

Details of the Company’s share price and discount are presented within the Financial Summary on page 2 of the full Annual Report. On 21 May 2020, the latest date for which information was available, the discount had widened to 12.7%.

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 11 July 2019 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 9 July 2020. The Directors are seeking to renew this authority at the 2020 AGM, as further detailed in the Directors’ Report on page 55 of the full Annual Report. 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. The Board introduced in 2019 a Conditional Tender Offer, which is described under “Affirmation of shareholder mandate” on page 10 of the full Annual Report. The introduction of the Conditional Tender Offer will not affect the Board’s current approach to discount management. The Board will continue to exercise the Company’s right to buy back shares when it believes this to be in shareholders’ interests and with the aim of reducing volatility in the discount.

Details of share buybacks in the year can be found on pages 6, 49 and 89 of the full Annual Report.

From 1 April 2020 to 21 May 2020, 1,202,017 shares were bought back and cancelled for a total consideration of £8,344,000.

^(a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.

Dividend and revenue earnings

Total income earned in the year was £75.1 million (2019: £59.7 million) which translates into net revenue earnings of 24.40 pence per share (2019: 17.26 pence per share), an increase of 41.4% over the prior year.

The Company paid an interim dividend of 5.00 pence per share and a special dividend of 2.60 pence per share, both on 15 January 2020. The Board is proposing a final dividend of 14.00 pence per share, making total ordinary dividends for the year of 19.00 pence per share and total dividends including the special dividend of 21.60 pence per share.

Ongoing charges ratio^(a) (“OCR”)

The OCR remained constant at 1.02% for the year ended 31 March 2020, compared to the prior year.

Costs associated with the purchase and sale of investments are taken to capital and are not included in the OCR. Transaction costs are disclosed in Note 8 of the Notes to the Financial Statements on page 88 of the full Annual Report.

Principal risks

The Board has 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. These 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 65 and 66 of the full Annual Report. Information on the risks that TEMIT is subject to, including additional financial and valuation risks, are also detailed in Note 15 of the Notes to the Financial Statements.

(a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.

Risk	Mitigation
<p>Pandemic</p> <p>The spread of infectious illnesses or other public health issues and their aftermaths, such as the outbreak of COVID-19, first detected in China in December 2019 and later spreading globally, could have a significant adverse impact on the Company's operations (including the ability to find and execute suitable investments) and therefore, the Company's potential returns.</p> <p>The outbreak, as well as the restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies (including those that are held by, or are counterparties or service providers to, the Company) and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term.</p>	<p>The Board has reviewed and discussed the situation with the Investment Manager, including a review of the portfolio, risk management and business continuity.</p> <p>The risks associated with a pandemic affect all areas of the Company's investments as well as operations. Mitigation strategies apply as detailed within the specific areas of risk.</p> <p>A global network of analysts and operations and a flexible technology setup ("Work from home") at the Investment Manager ensure operational business continuity and continuous analyst coverage. The Board has also received updates on its key service providers' business continuity plans.</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>
<p>Investment and concentration</p> <p>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.</p> <p>Where possible, investment will generally be made directly in the stock markets of emerging countries.</p>	<p>The Board reviews regularly 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 highlights any concerns to portfolio management for remedial action.</p>
<p>Market and geo-political</p> <p>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 controls, tax or other regulations introduced in any country in which TEMIT invests may affect its income and the value and marketability of its investments. Emerging markets can be subject to greater price volatility than developed markets.</p>	<p>The Board reviews regularly and discusses with the Investment Manager the portfolio, the Company's investment performance and the execution of the investment policy against the long-term objectives of the Company. The Manager's independent risk team performs systematic risk analysis, including country and industry specific risk monitoring, as well as stress testing on the portfolio's resilience to geo-political shocks. The Board also reviews regularly risk management reports from the risk team.</p>

Risk	Mitigation
<p>Foreign currency</p> <p>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.</p>	<p>The Board monitors currency risk as part of the regular portfolio and risk management oversight. TEMIT does not hedge currency risk.</p>
<p>Portfolio liquidity</p> <p>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.</p>	<p>The closed ended structure of TEMIT reduces the impact to shareholders of potential illiquidity in the portfolio.</p> <p>The Board receives and reviews updates regularly on portfolio liquidity. The diversified nature of the portfolio and limited investments in stocks with lower liquidity result in a balanced portfolio structure.</p>
<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 and reviews the approved counterparty list of the Investment Manager on an annual basis and receives and reviews regular reports 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 Investment 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-custodians 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 discusses this risk regularly 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 and is listed on both the London and New Zealand stock exchanges. 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 ensures 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>

Emerging risks

The key emerging risk faced by the Company is considered to be the ramifications of the COVID-19 pandemic. While the onset of the pandemic has set many economies into decline, it is far from clear at this stage what the full societal and economic impact from the pandemic will be. The medical and epidemiological implications of COVID-19 are yet to be fully understood; neither an effective treatment nor a vaccine are likely to be available in the short term. While many local economies are gradually reopening and business activity is resuming, a return to full capacity is unlikely to happen anytime soon. A second wave of infections or ill-judged governmental responses could result in even worse economic effects. Changing consumer behaviour, additional administrative burdens and new regulations could significantly alter and negatively affect business operations in the medium to long term, with unknown consequences for affected industries and countries.

Brexit

TEMIT is a company registered in Scotland.

TEMIT is regulated as an AIF under UK law, with its Alternative Investment Fund Manager (“AIFM”) being FTIS, a Luxembourg company. In light of the UK Temporary Permissions Regime that allows 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 until the end of 2022. The Manager has, however, developed plans which can be implemented if and when the regulatory position changes.

TEMIT invests most of its assets outside the EU and the vast majority of shareholders are based in the UK, New Zealand and the United States. In the Board’s opinion the only material adverse effect of the Brexit process on TEMIT to date has been an increase in the volatility of the exchange rate of the pound sterling, 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 its 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 2019 (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 it engages with companies to promote ESG best practices on pages 22 and 23 of the full Annual Report. It is 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’ Report) Regulations 2013. On 26 March 2015, the Modern Slavery Act 2015 came into force. TEMIT has no employees and is not an organisation that provides goods or services as defined in the Act and thus the Company considers that the Act does not apply. In any event, the Company’s own supply chain consists predominantly of professional services advisers.

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 and ethnicity, thought, experience and qualification. The Board currently comprises six Directors, five male and one female.

The Investment Manager has a culture which embraces individual differences and the wealth of perspectives brought by global diversity. As a global company, Franklin Templeton believe that it benefits from the unique skills and experiences of an inclusive workforce made up of employees who span different generations, genders, preferences, capabilities and cultural identification. It also believes that an inclusive culture can drive innovation and allows the firm to deliver better client outcomes. This culture aided Franklin Templeton’s inclusion, for the fourth consecutive year, in the 2020 Bloomberg Gender-Equality Index (“GEI”), which

recognises diverse and equitable workplaces. Franklin Templeton sponsor thousands of volunteer activities each year through its global Involved programme which helps to provide better outcomes for local communities. In the UK, it is an active sponsor/supporter of several organisations that promote inclusion and social mobility such as the Diversity Project, Stonewall and Career Ready.

Viability Statement

The Board considers viability as part of its continuing programme of monitoring risk. In preparing the Viability Statement, in accordance with the AIC Corporate Governance Code Principle N, and Provision 33, 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 is 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 considers, on an ongoing basis, each of the principal and emerging risks as noted above and set out in Note 15 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 continued significant and prolonged fall in equity markets as a result of the COVID-19 pandemic. The Board also considered the latest assessment of the portfolio’s liquidity. Further details regarding the impact of COVID-19 on the Company are detailed within the Chairman’s Statement on pages 5 to 7 of the full Annual Report and the principal risks section on page 14 of the full Annual Report. The Board monitors 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 facilities. 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. The Board has also taken into consideration the operational resilience of its service providers in light of COVID-19.

Taking into account the above, and with careful consideration given to the current market situation, the Board has concluded that there is a reasonable expectation that, assuming there will be a successful continuation vote at the 2024 AGM, the Company will be able to continue to operate and meet its liabilities as they fall due over the next five years.

Future strategy

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

The Company’s results will be affected by many factors including political decisions, economic factors, the performance of investee companies and the ability of the Investment Manager to choose investments successfully as well as the current challenges as the world deals with the effects of the COVID-19 pandemic.

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 and other 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.

By order of the Board

Paul Manduca

4 June 2020

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 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 a 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 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 resources, 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 are 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.

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 practices, and how they might impact the business model.

FTEME's analysts conduct around 2,000-2,500 company interactions per year, meeting with company management, touring facilities, and meeting suppliers, clients and competitors—all with the aim of ascertaining the value of the company. As part of their bottom-up analysis of individual companies, our analysts routinely evaluate material ESG issues such as product safety, raw material sourcing, waste disposal, water management, labour relations, health and safety practices, community relations and numerous factors related to governance.

Whilst certain emerging markets' regulations pertaining to corruption, corporate governance, the environment and social issues—and their enforcement—may be still evolving, trends indicate that as a country develops, these safeguards become both more comprehensive and more stringently enforced. Thus, companies with strong records of governance today (which can impact management of environmental and social issues) may be better prepared for the future. A company with inadequate environmental policies not only reflects badly on existing corporate governance, it may also bode poorly for the future competitiveness of that company.

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 defines 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 a 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 communicates regularly 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 works 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, enhancing shareholder value.

When deemed necessary, to protect shareholder value, the FTEME team may escalate their engagement activities to include collaboration with other investors, public pressure via the media, and even the legal system, if appropriate.

- One such example, we initiated a legal challenge to stop the takeover of an investee company when it became clear the proposed takeover did not represent value for minority shareholders. Working in collaboration with another asset manager that was also a significant shareholder, our challenge was successful, and the courts mandated the company improve its financial reporting. This revealed a more accurate and more promising picture of the business, enabling us to successfully negotiate with the acquiring company to more than double their original offer. Ultimately, we were able to navigate these governance challenges to sell our stake at a healthy profit, allowing us to exit the position while enhancing value for our shareholders.

- When investing in partially state-owned companies the FTEME team have at times approached government representatives with potential concerns regarding the quality of management. In one such instance, this has resulted in the team identifying a suitable candidate to serve on an investee company's board where this individual provided leadership and critical guidance through a period of tremendous growth.

The above points are just a few examples of the Investment Manager's proactive approach to monitoring corporate governance practices. The investment team also scrutinises other issues, including the relationship between a company and its auditor, as well as related-party transactions, as these matters can uncover potential poor corporate governance practices.

In the past 12 months, TEMIT voted against company management recommendations over 160 times.

In addition to the comprehensive research perspectives discussed above, the Investment Manager's longstanding and global presence keeps the team at the forefront of major issues in the emerging markets, ESG issues amongst them.

3. Portfolio Construction

The Portfolio Managers aim to build a portfolio of around 70 to 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 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 drive all buy and sell decisions.

Investment risk management

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

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

Building from this philosophy and within the boundaries of the overall investment strategy or potential regulatory restrictions, the Investment 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

A flight to safety driven by the COVID-19 pandemic and the oil price war led to an indiscriminate sell-off across most asset classes late in the reporting period. Earlier gains were erased, leading emerging markets to end the reporting period in negative territory. The MSCI Emerging Markets Index returned -13.2% in the year under review, while TEMIT delivered a net asset value total return of -11.2% (all figures in sterling). Full details of TEMIT's performance can be found on page 1 of the full Annual Report.

The US-China trade conflict dominated headlines early in the reporting period as several rounds of retaliatory actions raised investor concerns. Markets, however, received some good news in October, with the US and China reaching agreement on a partial trade deal. Amidst rising growth and trade concerns, the US Federal Reserve ("Fed") cut its key interest rate for the first time in a decade in July, followed by two more rate cuts in September and October, before signalling a pause. The rate cuts helped to alleviate upward pressure on the US dollar, helping emerging market currencies while also facilitating greater flexibility in emerging market monetary policy.

Investor optimism following the signing of the US-China "phase one" agreement in mid-January, however, was overshadowed by fears over the COVID-19 outbreak, which started in China, but also spread to other parts of the world with new centres of the outbreak emerging in Europe and the US. The COVID-19 outbreak was declared a pandemic by the World Health Organization on 11 March. The collapse in OPEC+^(a) negotiations in early March and Saudi Arabia's subsequent, aggressive undercutting of its official oil prices sparked a price war, compounding the impact of slowing demand amidst a decline in global economic growth due to the global spread of COVID-19. Oil prices fell sharply, with the WTI^(b) and Brent^(c) losing about two-thirds of their value in the first three months of 2020. Though OPEC+ and other oil producers agreed to cut oil supply after the reporting period ended, demand contraction could continue to put pressure on prices. Efforts to curb the spread of COVID-19 led to severe mobility restrictions in many countries and in some cases a complete lockdown, heightening fears of a global recession as economies came to a standstill. Liquidity in global financial markets dried up with many equity markets entering bear market territory. Unprecedented fiscal and monetary stimulus globally, however, helped to stabilise markets in late-March. The US Fed cut rates to near zero in March, facilitating greater flexibility in emerging markets monetary policy, which saw most countries also cutting rates.

^(a) OPEC+ is an alliance of oil producers, including members and non-members of the Organization of the Petroleum Exporting Countries.

^(b) West Texas Intermediate – a benchmark market price for crude (unrefined) oil.

^(c) Brent Crude – a benchmark market price for crude (unrefined) oil.

China remained TEMIT's largest market exposure but the TEMIT portfolio remained underweight relative to the benchmark. Equity prices in China edged down by less than 1% in sterling terms over the year, making it the second-best performing market in the benchmark. Chinese stocks remained under pressure in the earlier part of the reporting period, weighed down by the US-China trade dispute and concerns of slowing growth in the country. Although an agreement on a partial trade deal saw equities rebound, the outbreak of COVID-19 and subsequent lockdown in parts of China raised fears. Business activity and consumption were significantly impacted as people curtailed their movements as a preventive measure. Sectors such as travel, leisure, retail and some elements of discretionary consumption were severely impacted. Chinese equity markets, however, were resilient, as the Chinese authorities' aggressive steps to contain the spread of the virus yielded positive results. Supportive action from policymakers including monetary easing, fiscal measures and additional liquidity also helped ease investor concerns. Although there have been concerns of a second wave via imported cases from outside of China, the measures in place have, at the time of writing, been able to limit local transmission. This has allowed the government to shift its focus from containment toward economic normalisation, with restrictions gradually being relaxed and production capacity getting back online (about 80-90% at the time of writing). While Chinese economic data reported over the first quarter was some of the worst in decades, we expect to see the start of a recovery in the second quarter as the situation in the country continues to normalise and the impact of the authorities' monetary policies filters through the economy. As a net oil importer, low oil prices will also benefit the economy, acting as a direct stimulus to consumers, most businesses and the central government. We expect a rebound in domestic activity over the second half of 2020, driven by pent-up demand and government stimulus, with risks to this outlook primarily driven by halting activity in developed markets. Overall, China's market has been relatively resilient. While we continue to monitor the situation, we currently believe that the long-term growth outlook for China and Chinese equities remains unchanged.

South Korea was TEMIT's second-largest market position at the end of March and overweight versus the benchmark. The equity market remained range bound over most of 2019 as the US-China trade dispute, tensions between South Korea and Japan and North Korea's missile launches balanced a switch from hawkish to more neutral monetary policy, a record 2020 expansionary budget and improving sentiment in the global memory chips market. In early 2020, the optimism of a trade deal between the US and China was quickly overshadowed by the COVID-19 outbreak. South Korea became the first country outside of China to record more than 1,000 cases in late-February, heightening concerns of the possibility of another outbreak epicentre. Decisive and prompt actions, however, helped largely to contain the outbreak with new daily cases starting to taper off in March. As a key supplier to the global supply

chain, investors grew concerned about supply side shocks. While large-scale production suspensions were not reported, some production lines were halted for safety reasons. Supply disruptions from China also had an impact. The tourism and retail sectors were, however, more severely affected. To cushion the economy, the authorities cut the benchmark interest rate to a record low and announced relief packages for households and businesses. While GDP most likely contracted in the first quarter of 2020, we believe that there could be a recovery in the latter part of 2020, supported by the government's stimulus measures, once COVID-19 is contained.

Taiwan was the only market in the MSCI Emerging Markets Index to record a positive return over the reporting period. Equities gained in 2019 on an improving global outlook for memory chips and easing US-China trade friction, which boosted market sentiment towards companies within the global technology supply chain and which favoured the Taiwanese market where technology-related stocks account for a substantial portion. The Taiwanese economy saw limited impact from COVID-19 as the island saw fewer cases than its counterparts and moved quickly to tackle the situation. While the share prices of information technology companies declined from their highs in January, the sector has been more defensive compared to those of companies related to consumers, tourism and energy that have been more severely impacted by the pandemic and oil price war. TEMIT's exposure to Taiwan was largely attributable to Taiwan Semiconductor Manufacturing Company ("TSMC"), one of the portfolio's largest holdings and the largest stock contributor to TEMIT's performance relative to the benchmark. TSMC is one of the world's leading semiconductor makers and counts major technology companies amongst its clients.

Another market that fared better than its emerging market peers was **Russia**. Equity prices remained on an upward trend over the reporting period, returning 45% in sterling terms at its peak in January. Heightened global uncertainty resulting from the COVID-19 outbreak, however, turned market sentiment. Multiple actions including closing its borders to China and isolating early suspected cases initially helped to curb the spread of the virus but a spike in new cases led the government to adopt more stringent measures in March. The energy-dependent market, however, fell sharply in March as the oil price war described above added to demand concerns, leading oil prices to fall to their lowest level in close to two decades. To support the economy, policy makers reduced interest rates and announced a range of measures to support households and businesses affected by COVID-19. The Russian market ended the reporting period down by 9% in sterling terms but supported by one of the highest dividend yields in the emerging market universe. Undemanding equity valuations in Russia also remained a draw for investors, while improving corporate governance standards provided investors with some assurance. Moreover, the country has little sovereign debt, twin surpluses in both current account and fiscal balance, as well as a National Wealth Fund which was created during periods of higher oil prices with the purpose of supporting the economy during a low oil price environment, an extremely enviable position to be in. While we have seen weakness in our Russian holdings, we believe that Russia is well prepared for a low oil price environment, with most oil companies' free cash flow positive even at US\$20 oil price levels.

Driven by the country's promising economic reform agenda, **Brazilian** equities were up by 20% in sterling terms by the end of 2019. A low inflationary and interest rate environment further supported equity flows. However, a 50% decline in the first three months of 2020 made Brazil one of the worst performing emerging markets for the reporting period, in sterling terms. A considerable part of the decline came from depreciation in the Brazilian real, which fell to a historic low in March. Lower carry appeal resulting from record-low interest rates, concerns over the economic impact of COVID-19 and a sharp decline in oil prices weighed on the currency. The government announced measures to support the population and economy, while the central bank lowered its key interest rate to a record-low of 3.75% to help to mitigate the effects of the outbreak. We expect lower interest rates in Brazil to drive a reallocation of assets from cash to equities as investors seek better returns. Taking a longer-term view, we believe that the social security reform may help to stimulate investment and credit, which could help to improve economic activity and reduce Brazil's fiscal deficit. We are also of the opinion that the central bank has sufficient foreign exchange reserves to support the currency. While the short-term situation in Brazil remains uncertain regarding the COVID-19 outbreak, we remain positive on Brazil over the long term, selectively adding to our exposure during the reporting period, which remains overweight compared to the benchmark.

The **Indian** market remained range-bound over most of the reporting period as optimism over Prime Minister Narendra Modi's reform agenda including a meaningful reduction in corporate tax rates was offset by a continuing economic slowdown and financial sector problems. Late in the reporting period, however, Indian equities were not spared by the global flight to safety, as stock markets around the world recorded sharp declines driven by the COVID-19 pandemic. Indian equities declined by more than 20% in March alone. A crisis in a private-sector bank (not held in the portfolio), which subsequently resulted in a bail-out, further weighed on financial stocks. Efforts to contain the local transmission of COVID-19 led the government to impose a 21-day nationwide lockdown, raising concerns that the economic disruption would result in a growth shock in one of the fastest growing major economies globally. Policy makers, however, announced fiscal stimulus measures including relief for those affected by the economic disruption, reduced interest rates as well as a comprehensive package to ensure financial stability. Although the extent and duration of the virus's impact on the economy remains unknown, looking ahead, we believe that the country should benefit from the implementation of structural reforms, low interest rates and low corporate tax rates. Further, as global economies work towards diversifying their supply chains, we could see India benefit from increased foreign investment. As a net oil importer, low oil prices should also support India's fiscal position. Although India remains one of the larger positions in TEMIT, we remain underweight relative to the benchmark. A key holding in India is one of the country's largest private-sector banks, ICICI Bank. Although we expect to see some impact on the bank's loans and margins as a result of the economic disruptions caused by COVID-19 in the interim, we believe that ICICI Bank is well-capitalised with a strong deposit base and should be able to withstand the short-term impact.

Going into this oil crisis, TEMIT was neutral in the energy sector, our preferred exposure in terms of oil sensitivity was in Russia and Russian stocks, and we had no exposure to other oil-sensitive markets like Colombia, Saudi Arabia, Qatar, and the United Arab Emirates. Our preference for Russia was driven by the Russian stocks' sound fundamentals and attractive valuations. Evaluating the portfolio, we reduced exposure to oil companies that were more highly levered. The negative near-term impact upon energy companies, as well as the secondary effect on economic growth in oil-exporting countries, could be considerable. Nevertheless, the oil price crash earlier in the last decade resulted in a sustained period of company (and fiscal) deleveraging, paired with improved cost control as well as encouraging greater caution towards the sector. From a macro perspective, there are also many emerging markets – and specifically in the Asian region – that are net oil and gas importers. Lower oil prices should ultimately support downward pressure on inflation. That will help policy makers to have more flexibility, for example, in monetary easing to cushion growth particularly in countries like India, China, and the Philippines. A lower oil price, therefore, is not necessarily all bad news for emerging markets. Longer-term, we are likely to see a supply response with higher cost producers including US shale companies effectively having to shut down production. Coupled with an eventual recovery in demand, this should ultimately lead to higher oil prices in the future.

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.

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 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 boards 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.

As active investors, we have continued to engage with companies and sought to understand both the short- and long-term impact of COVID-19 and the subsequent behavioural changes of companies. We believe this helps to ensure that our portfolios are positioned accordingly. We continue to stress the importance of being selective and undertaking due diligence in making investment decisions.

In our view, our well-resourced, locally based team remains a key competitive advantage, and it has certainly been helpful having a team on the ground in Hong Kong and Shanghai, to help our decision making during the months following the outbreak of COVID-19 in Wuhan. Our teams were able to hold a significant number of calls with companies and industry specialists.

Across the portfolio, we were and remain positioned in long-term themes including consumption premiumisation, digitalisation, healthcare and technology, with stocks reflecting our philosophy. We see leverage as a risk and continue to avoid companies with weak balance sheets.

While the immediate outlook is uncertain, this approach should help us to navigate the coming months and over time we expect the long-term fundamentals of our holdings to remain intact.

Performance attribution analysis %

Year to 31 March	2020	2019	2018	2017	2016
Net asset value total return ^(a)	(11.2)	1.8	12.4	47.8	(17.1)
Expenses incurred	1.0	1.0	1.1	1.2	1.2
Gross total return ^(a)	(10.2)	2.8	13.5	49.0	(15.9)
Benchmark total return ^(a)	(13.2)	0.1	11.8	35.2	(8.8)
Excess return ^(a)	3.0	2.7	1.7	13.8	(7.1)
Stock selection	(2.1)	1.8	1.3	13.7	(11.4)
Sector allocation	3.1	(0.6)	(0.3)	0.1	2.0
Currency	1.6	1.0	0.4	0.2	1.5
Residual ^(a)	0.4	0.5	0.3	(0.2)	0.8
Total Investment Manager contribution	3.0	2.7	1.7	13.8	(7.1)

Source: FactSet and Franklin Templeton.

^(a) A glossary of alternative performance measures is included on page 113 of the full Annual Report.

Contributors and detractors by security

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

Top contributors	Country	Sector	Share price total return	Relative contribution to portfolio
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	25.6	1.1
NAVER	South Korea	Communication Services	34.6	1.0
Tencent	China/Hong Kong	Communication Services	12.2	0.9
Samsung Electronics	South Korea	Information Technology	7.8	0.7
Sunny Optical Technology	China/Hong Kong	Information Technology	60.3	0.5
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	(2.6)	0.5
Naspers	South Africa	Consumer Discretionary	(3.0)	0.5
China Resources Cement Holdings	China/Hong Kong	Materials	30.8	0.5
Gazprom, ADR	Russia	Energy	11.7	0.4
Unilever ^(b)	United Kingdom	Consumer Staples	(4.8)	0.3

^(a) For the period 31 March 2019 to 31 March 2020.

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

Taiwan Semiconductor Manufacturing (“TSMC”) is one of the world’s leading semiconductor makers and counts major technology companies amongst its primary clients. The chip maker posted solid revenue and earnings growth in the third and fourth quarters of 2019 due to the rollout of premium smartphones and high-performance computing applications. As a supplier to smartphone maker Apple, TSMC also benefited from better-than-expected sales of the latest iPhone. The company’s share price reached a new high in January 2020 before falling slightly as investors grew concerned about the impact of the COVID-19 outbreak on global demand. While we could see some impact on revenue in the short-term, a recovery driven by pent up demand is likely once COVID-19 is contained. In the longer term, we believe that 5G development also remains a growth opportunity for the company.

NAVER is South Korea’s largest internet search engine. Shares in NAVER rose after it announced a merger of its subsidiary Line Corporation, the largest messenger app in Japan, with Yahoo Japan, a SoftBank subsidiary, on synergy expectations from business integration and growth in artificial intelligence, e-commerce, fintech and O2O (online to offline) businesses. NAVER’s plan to spin off its digital payment unit, NAVER Pay, to form a financial services company, which is expected to offer a range of services, including loans and insurance, was also viewed favourably by investors. A roadmap for the monetisation of NAVER Webtoon, its webtoon (a type of digital comic that originated in South Korea) publishing portal, further drove investor confidence in the stock. While COVID-19 is expected negatively to impact NAVER’s advertising business in the short term, we believe that that firm’s fundamentals remain intact and NAVER’s key businesses could see solid growth on increased online activity.

Tencent is one of the largest internet services companies in China. The company provides online gaming, social network, fintech, cloud and other entertainment related services. Investor concern surrounding the US-China trade dispute and mixed second- and third-quarter 2019 corporate results weighed on sentiment in the stock in first half of the reporting period. Shares subsequently rose, however, on expectations of solid growth in the mobile gaming and financial technology businesses. Tencent reported solid fourth-quarter corporate results with double-digit revenue and earnings growth driven by strong performances in its online gaming and advertising, Fintech and cloud operations. Although we expect COVID-19 to have a short-term negative impact on Tencent’s advertising, payments and cloud services as a result of a decline in business activities, solid growth in its online gaming and video and social networking activities should help to mitigate the impact. As the economic situation normalises, we expect Tencent to continue to benefit from growth in its online entertainment, cloud computing and fintech businesses.

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

Top detractors	Country	Sector	Share price total return	Relative contribution to portfolio
Banco Bradesco, ADR	Brazil	Financials	(50.5)	(0.7)
Banco Santander Mexico, ADR ^(b)	Mexico	Financials	(47.6)	(0.7)
Itaú Unibanco, ADR	Brazil	Financials	(43.5)	(0.6)
Massmart ^(b)	South Africa	Consumer Staples	(71.0)	(0.6)
Glenmark Pharmaceuticals	India	Health Care	(69.3)	(0.5)
IMAX ^(b)	United States	Communication Services	(58.1)	(0.4)
Kasikornbank	Thailand	Financials	(50.5)	(0.4)
Astra International	Indonesia	Consumer Discretionary	(49.8)	(0.4)
Cognizant Technology Solutions ^(b)	United States	Information Technology	(31.8)	(0.4)
Bajaj Holdings & Investments ^(b)	India	Financials	(48.2)	(0.4)

^(a) For the period 31 March 2019 to 31 March 2020.

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

While the market has been swift in discounting earnings for banks in general, we believe that the risk of systemic banking crises in Brazil and Mexico is low given reasonably strong capitalisation, robust regulatory oversight and current policy support, and less credit expansion as compared to developed markets – for example the Brazilian banks, **Banco Bradesco** and **Itaú Unibanco** have been de-risking their balance sheets for the last 5-6 years due to the recession there. Expectations that the economy could fall into a technical recession in 2020 as a result of the lockdown and economic impact from COVID-19, weighed on sentiment with shares in both banks declining significantly in line with the wider equity market. Although we expected to see some short-term impact on asset quality and revenue generation, taking a longer-term view we maintain a positive view on both banks and believe that they are well positioned to recover once the COVID-19 outbreak is contained and domestic economic activity improves. Both banks reported solid 2019 corporate results, are fundamentally sound and trade at attractive valuations with high dividend yields. We used the market fall as an opportunity to increase our positions in both banks.

Shares in one of the largest banks in Mexico, **Banco Santander Mexico** jumped in April following a tender offer via a share swap from the Spanish-listed parent. Over the reporting period, Banco Santander Mexico's share price largely tracked shares of its Spanish parent Banco Santander, which increased its stake in the Mexican bank to over 90% following the completion of a tender offer in September 2019. Shares fell substantially in the last two months of the reporting period as investors grew increasingly concerned about the COVID-19 pandemic. While the bank's 2019 earnings growth exceeded management guidance, we expect to see some negative impact on 2020 earnings from social distancing efforts to limit the spread of the virus and lower oil prices both weigh on economic activity in Mexico. Taking a longer-term view, we continue to favour the bank due to its strong market position, healthy balance sheet and attractive valuations.

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
Communication Services	(3.3)	1.8	Financials	(23.6)	(1.3)
Information Technology	9.2	1.5	Consumer Staples	(11.2)	(0.8)
Materials	(27.4)	1.3	Health Care	(3.7)	(0.7)
Energy	(32.1)	0.5	Industrials	(22.5)	(0.1)
Utilities ^(b)	(19.6)	0.2			
Real Estate	(17.3)	0.1			
Consumer Discretionary	(3.6)	0.1			

^(a) For the period 31 March 2019 to 31 March 2020.

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

Favourable stock selection and overweight positions in the **communication services** and **information technology** sectors added to TEMIT's performance relative to the benchmark index in the review period. Selection and an underweight position to the **materials** sector, which underperformed its counterparts, also had a positive impact. Technology-related sectors remained resilient during the

crisis period with e-commerce, internet and software companies benefiting from an increase in online activities. Major semiconductor companies in Taiwan and South Korea also reported limited supply disruption, while it is likely that pent up demand will lead to a rebound in sales as the COVID-19 situation improves. The materials sector underperformed its peers as demand shocks and a decline in commodity prices weighed on businesses in the sector.

Conversely, the **financials**, **consumer staples** and **health care** sectors negatively impacted relative returns. Financials remain a key area of secular growth given the low levels of credit penetration across emerging markets, and TEMIT's holdings are primarily dominant, incumbent banks with strong capitalisation levels and robust deposit franchises, which should emerge stronger post crisis. Stock selection was largely responsible for the detraction in consumer staples and health care. We reduced our holdings in the consumer staples sector during the reporting period and maintained an underweight position in health care relative to the benchmark.

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
South Africa	(33.8)	1.1	United States	(0.7)	(0.8)
South Korea	(12.1)	1.0	Mexico	(28.2)	(0.5)
China/Hong Kong	(0.9)	0.5	Thailand	(28.8)	(0.5)
Taiwan	7.5	0.4	Indonesia	(33.1)	(0.2)
Saudi Arabia ^(b)	(26.0)	0.4	Pakistan	(35.1)	(0.1)
Chile ^(b)	(43.7)	0.3	India	(27.3)	(0.1)
United Kingdom	10.1	0.3	Kenya ^(c)	—	(0.1)
Poland ^(b)	(36.0)	0.2	Czech Republic	(33.7)	(0.1)
Hungary	(27.8)	0.2			
Philippines	(26.5)	0.2			

^(a) For the period 31 March 2019 to 31 March 2020.

^(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 **South Africa**, **South Korea** and **China**, were amongst the leading contributors to TEMIT's returns relative to the benchmark index. Naspers, which tended to track the share price movements of its underlying holdings that includes Tencent and Mail.Ru, was largely accountable for TEMIT's exposure in South Africa. We reduced exposure to Naspers in favour of increasing holdings directly in Tencent, following the spin-off of its international assets (via Prosus). We added to holdings in China and South Korea during the reporting period. A key purchase was Samsung Life Insurance, the largest life insurance company in South Korea, given its attractive valuations, strong prospects of its key holding, Samsung Electronics and our expectation of an improvement in shareholder returns. We accordingly used the market fall in 2020 as an opportunity to add to our position. In contrast, relative performance was hurt by stock selection in the **United States**, **Mexico** and **Thailand**. 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 reduced our position in the stock ahead of the market crisis but still maintain a sizeable position on expectations of a turnaround. We also reduced our holdings in Thailand in favour other more attractive opportunities. We maintain an underweight exposure to Mexico relative to the benchmark.

Portfolio changes by Sector

Sector					Total return in sterling		
	31 March 2019 market value £m	Purchases £m	Sales £m	Market movement £m	31 March 2020 market value £m	TEMIT %	MSCI Emerging Markets Index %
Information Technology	419	52	(82)	29	418	9.7	9.2
Financials	585	99	(169)	(167)	348	(29.0)	(23.6)
Communication Services	227	126	(21)	13	345	5.6	(3.3)
Consumer Discretionary	448	57	(140)	(28)	337	(7.3)	(3.6)
Consumer Staples	152	17	(37)	(26)	106	(22.8)	(11.2)

Energy	163	21	(53)	(39)	92	(29.2)	(32.1)
Materials	66	48	(29)	(19)	66	(10.6)	(27.4)
Industrials	52	18	(10)	(22)	38	(34.3)	(22.5)
Health Care	42	2	(2)	(12)	30	(29.2)	(3.7)
Real Estate	8	–	(8)	–	–	6.6	(17.3)
Net liabilities ^(a)	(44)	–	–	39 ^(b)	(5)	–	–
Total	2,118	440	(551)	(232)	1,775		

^(a) The Company's net liabilities are the total of net current assets/liabilities plus non-current liabilities per the Statement of Financial Position on page 78 of the full Annual Report.

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

Portfolio changes by country

Country					Total return in sterling		
	31 March 2019 market value £m	Purchases £m	Sales £m	Market movement £m	31 March 2020 market value £m	TEMIT %	MSCI Emerging Markets Index %
China/Hong Kong	512	205	(166)	43	594	3.7	(0.9)
South Korea	289	93	(48)	(28)	306	(6.0)	(12.1)
Taiwan	206	9	(31)	20	204	15.0	7.5
Russia	189	–	(28)	(26)	135	(14.5)	(9.0)
Brazil	181	87	(73)	(67)	128	(35.1)	(39.2)
India	162	10	(7)	(50)	115	(28.9)	(27.3)
Other	623	36	(198)	(163)	298	–	–
Net liabilities ^(a)	(44)	–	–	39 ^(b)	(5)		
Total	2,118	440	(551)	(232)	1,775		

^(a) The Company's net liabilities are the total of net current assets/liabilities plus non-current liabilities per the Statement of Financial Position on page 78 of the full Annual Report.

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

Portfolio investments by fair value as at 31 March 2020

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
Tencent	China/Hong Kong	Communication Services	IH	167,891	9.5
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	PS	162,050	9.1
Samsung Electronics	South Korea	Information Technology	PS	152,175	8.6
Alibaba, ADR ^(b)	China/Hong Kong	Consumer Discretionary	IH	143,113	8.1
NAVER	South Korea	Communication Services	IH	67,051	3.8
ICICI Bank	India	Financials	NT	59,267	3.3
Unilever ^(c)	United Kingdom	Consumer Staples	PS	56,842	3.2
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	PS	53,702	3.0
Naspers	South Africa	Consumer Discretionary	PS	49,496	2.8
LUKOIL, ADR ^(b)	Russia	Energy	NT	40,601	2.3
TOP 10 LARGEST INVESTMENTS				952,188	53.7
Itaú Unibanco, ADR ^(b)	Brazil	Financials	IH	36,843	2.1
LG	South Korea	Industrials	IH	35,842	2.0
Cognizant Technology Solutions ^(c)	United States	Information Technology	IH	33,451	1.9
Sberbank of Russia, ADR ^(b)	Russia	Financials	NT	33,094	1.9

Banco Bradesco, ADR ^{(b)(d)}	Brazil	Financials	IH	32,458	1.8
Yandex	Russia	Communication Services	PS	30,979	1.7
China Mobile	China/Hong Kong	Communication Services	IH	30,416	1.7
China Merchants Bank ^(e)	China/Hong Kong	Financials	IH	29,082	1.6
China Resources Cement Holdings	China/Hong Kong	Materials	IH	28,234	1.6
Hon Hai Precision Industry	Taiwan	Information Technology	IH	21,937	1.2
TOP 20 LARGEST INVESTMENTS				1,264,524	71.2

^(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.

^(e) Company is listed on the Hong Kong and Shanghai Stock Exchanges.

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
Gedeon Richter	Hungary	Health Care	IH	21,192	1.2
Samsung Life Insurance	South Korea	Financials	NH	20,378	1.1
CNOOC	China/Hong Kong	Energy	NT	19,782	1.1
Banco Santander Mexico, ADR ^(b)	Mexico	Financials	NT	19,465	1.1
Vale	Brazil	Materials	NH	18,478	1.0
Infosys Technologies	India	Information Technology	NT	17,881	1.0
Baidu, ADR ^(b)	China/Hong Kong	Communication Services	IH	17,782	1.0
Ping An Insurance Group	China/Hong Kong	Financials	PS	17,391	1.0
Gazprom, ADR ^(b)	Russia	Energy	PS	16,242	0.9
Sunny Optical Technology	China/Hong Kong	Information Technology	NH	15,252	0.9
TOP 30 LARGEST INVESTMENTS				1,448,367	81.5
POSCO	South Korea	Materials	IH	14,663	0.8
Prosus ^(f)	China/Hong Kong	Consumer Discretionary	IH	13,753	0.8
Kasikornbank	Thailand	Financials	IH	13,467	0.8
NagaCorp	Cambodia	Consumer Discretionary	PS	12,843	0.7
Astra International	Indonesia	Consumer Discretionary	PS	12,477	0.7
Lojas Americanas	Brazil	Consumer Discretionary	PS	12,366	0.7
Kiatnakin Bank	Thailand	Financials	NT	12,361	0.7
Ping An Bank	China/Hong Kong	Financials	PS	12,056	0.7
B3 ^(g)	Brazil	Financials	PS	11,982	0.7
H&H Group	China/Hong Kong	Consumer Staples	IH	11,149	0.6
TOP 40 LARGEST INVESTMENTS				1,575,484	88.7

^(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.

^(f) This company is listed in the Netherlands. The classification of China/Hong Kong is due to most of its revenue coming from its holding in Tencent.

^(g) Company changed its name from BM&F Bovespa during the year.

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
Mail.Ru, GDR ^(h)	Russia	Communication Services	PS	11,062	0.6
Fila Korea	South Korea	Consumer Discretionary	NH	10,959	0.6
Bajaj Holdings & Investments	India	Financials	IH	10,922	0.6
NetEase, ADR ^(b)	China/Hong Kong	Communication Services	PS	9,768	0.6
MGM China	China/Hong Kong	Consumer Discretionary	IH	7,806	0.4
IMAX ^(c)	United States	Communication Services	PS	7,797	0.4

MCB Bank	Pakistan	Financials	PS	7,703	0.4
Coal India	India	Energy	IH	7,500	0.4
Thai Beverages	Thailand	Consumer Staples	PS	6,900	0.4
Moneta Money Bank	Czech Republic	Financials	NT	6,752	0.4
TOP 50 LARGEST INVESTMENTS				1,662,653	93.5
Uni-President China	China/Hong Kong	Consumer Staples	PS	6,516	0.4
Massmart	South Africa	Consumer Staples	IH	6,357	0.4
Tata Consumer Products	India	Consumer Staples	NT	6,245	0.4
Glenmark Pharmaceuticals	India	Health Care	IH	5,967	0.3
BDO Unibank	Philippines	Financials	NT	5,682	0.3
InterCorp Financial Services	Peru	Financials	NT	5,549	0.3
East African Breweries	Kenya	Consumer Staples	NT	5,316	0.3
Catcher Technology	Taiwan	Information Technology	PS	5,200	0.3
B2W Digital	Brazil	Consumer Discretionary	PS	5,067	0.3
M. Dias Branco	Brazil	Consumer Staples	NT	4,752	0.3
TOP 60 LARGEST INVESTMENTS				1,719,304	96.8

(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.

(h) UK listed Global Depositary Receipt.

Holding	Country	Sector	Trading^(a)	Fair value £'000	% of net assets
Siam Commercial Bank	Thailand	Financials	NT	4,579	0.3
Largan Precision	Taiwan	Information Technology	PS	4,525	0.3
FIT Hon Teng	Taiwan	Information Technology	IH	4,519	0.3
Petroleo Brasileiro, ADR ^(b)	Brazil	Energy	NH	4,385	0.2
PChome Online	Taiwan	Consumer Discretionary	NT	4,182	0.2
Tata Chemicals	India	Materials	IH	4,146	0.2
Equity Group	Kenya	Financials	PS	3,916	0.2
BAIC Motor	China/Hong Kong	Consumer Discretionary	NT	3,257	0.2
Nemak	Mexico	Consumer Discretionary	IH	3,118	0.2
TMK, GDR ^(h)	Russia	Energy	NT	3,116	0.2
TOP 70 LARGEST INVESTMENTS				1,759,047	99.1
Biocon	India	Health Care	PS	3,076	0.2
Hankook Tire	South Korea	Consumer Discretionary	NT	2,877	0.2
COSCO SHIPPING Ports	China/Hong Kong	Industrials	NT	2,587	0.1
KCB Group	Kenya	Financials	PS	2,343	0.1
KT Skylife	South Korea	Communication Services	NT	2,252	0.1
Weifu High-Technology	China/Hong Kong	Consumer Discretionary	PS	2,130	0.1
Dairy Farm	China/Hong Kong	Consumer Staples	PS	2,050	0.1
CTBC Financial Holding	Taiwan	Financials	PS	1,556	0.1
TOTVS	Brazil	Information Technology	PS	1,179	0.1
United Bank	Pakistan	Financials	NT	945	0.1
TOP 80 LARGEST INVESTMENTS				1,780,042	100.3

(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.

(h) UK listed Global Depositary Receipt.

Holding	Country	Sector	Trading^(a)	Fair value £'000	% of net assets
Univanich Palm Oil	Thailand	Consumer Staples	PS	211	0.0
TOTAL INVESTMENTS				1,780,253	100.3
NET LIABILITIES				(4,603)	(0.3)
TOTAL NET ASSETS				1,775,650	100.0

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

Portfolio Summary

As at 31 March 2020

All figures are in %

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Total Equities	Net liabilities ^(a)	31 March 2020 Total	31 March 2019 Total
Argentina	–	–	–	–	–	–	–	–	–	–	–	–	–	0.2
Brazil	–	1.0	0.3	0.2	4.6	–	–	0.1	1.0	–	7.2	–	7.2	8.6
Cambodia	–	0.7	–	–	–	–	–	–	–	–	0.7	–	0.7	1.3
China/Hong Kong	12.8	12.6	1.1	1.1	3.4	–	0.1	0.8	1.6	–	33.5	–	33.5	24.3
Czech Republic	–	–	–	–	0.4	–	–	–	–	–	0.4	–	0.4	0.5
Hungary	–	–	–	–	–	1.2	–	–	–	–	1.2	–	1.2	0.9
India	–	–	0.4	0.4	3.9	0.5	–	1.0	0.2	–	6.4	–	6.4	7.7
Indonesia	–	0.7	–	–	–	–	–	–	–	–	0.7	–	0.7	3.5
Kenya	–	–	0.3	–	0.3	–	–	–	–	–	0.6	–	0.6	0.9
Mexico	–	0.2	–	–	1.1	–	–	–	–	–	1.3	–	1.3	2.4
Nigeria	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0
Pakistan	–	–	–	–	0.5	–	–	–	–	–	0.5	–	0.5	0.8
Peru	–	–	–	–	0.3	–	–	–	–	–	0.3	–	0.3	1.2
Philippines	–	–	–	–	0.3	–	–	–	–	–	0.3	–	0.3	0.5
Russia	2.3	–	–	3.4	1.9	–	–	–	–	–	7.6	–	7.6	8.9
South Africa	–	2.8	0.4	–	–	–	–	–	–	–	3.2	–	3.2	7.0
South Korea	3.9	0.8	–	–	1.1	–	2.0	8.6	0.8	–	17.2	–	17.2	13.7
Taiwan	–	0.2	–	–	0.1	–	–	11.2	–	–	11.5	–	11.5	9.6
Thailand	–	–	0.4	–	1.8	–	–	–	–	–	2.2	–	2.2	4.2
United Kingdom	–	–	3.2	–	–	–	–	–	–	–	3.2	–	3.2	3.2
United States	0.4	–	–	–	–	–	–	1.9	–	–	2.3	–	2.3	2.7
Net liabilities ^(a)	–	–	–	–	–	–	–	–	–	–	–	(0.3)	(0.3)	(2.1)
31 March 2020														
Total	19.4	19.0	6.1	5.1	19.7	1.7	2.1	23.6	3.6	–	100.3	(0.3)	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 liabilities are the total of net current assets/liabilities plus non-current liabilities per the Statement of Financial Position on page 78 of the full Annual Report.

Market capitalisation breakdown^(a) (%)	Less than £1.5bn	£1.5bn to £5bn	£5bn to £25bn	Greater than £25bn	Net liabilities^(b)
31 March 2020	8.2	10.4	22.7	59.0	(0.3)
31 March 2019	8.2	19.1	15.9	58.9	(2.1)
Split between markets^(c) (%)				31 March 2020	31 March 2019
Emerging markets				93.5	93.8
Developed markets ^(d)				5.5	5.9
Frontier markets				1.3	2.4
Net liabilities ^(b)				(0.3)	(2.1)

(a) A glossary of alternative performance measure is included on page 113 of the full Annual Report.

(b) The Company's net liabilities are the total of net current assets/liabilities plus non-current liabilities per the Statement of Financial Position on page 78 of the full Annual Report.

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

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

Source: FactSet Research System, Inc.

Market outlook

With the immediate outlook for the global economy remaining highly uncertain and making it difficult to assess the negative impact on growth and corporate earnings in the short-term, we believe that our focus on long-term sustainable earnings power should help us to navigate the coming months and, over time, we expect the long-term fundamentals of our holdings to remain intact. More specifically, we have invested in companies that are both (a) exposed to areas of structural growth and (b) have scope to gain a higher share of the total addressable market and have competitive advantage, whether that is their free cash flow generation capability, their existing market share where they dominate their respective industry, or technological leadership. So, we believe that we are focused on the right types of businesses for this environment.

The resilience and geographical divergence of emerging markets should also not be overlooked. Structural themes remain unchanged with information technology and consumers playing key roles. While we have seen weak consumer sentiment impacting discretionary purchases and travel; companies in e-commerce, internet and software companies are benefiting from an increase in online activities, and a recovery is likely in semiconductors because demand and supply have been delayed but not denied, and technology evolution continues. However, we do expect a slower recovery in consumer discretionary expenditure.

Across our portfolio, we are positioned in long-term themes including consumption premiumisation, digitalisation, healthcare and technology. COVID-19 is in the short term accelerating the adoption of products or behaviours that these long-term themes benefit from. We are also searching for companies that could benefit from any permanent behavioural changes in society, and we think that technology is more and more likely to be strongly embraced, so we will see further penetration in areas such as online entertainment, e-commerce, as well as more use of e-learning and cloud computing.

Across emerging markets, there are signs of foreign exchange weakness and capital flight given the current risk-off scenario. Twin-deficit countries (those that have both a trade (current account) deficit and a budget deficit) are more vulnerable in terms of weathering economic downturns. However, overall emerging markets are in a low inflation environment and policy flexibility remains. For corporates, we expect to see significant downgrades for 2020 earnings across most countries and sectors. Valuations look more appealing although we expect significant volatility in earnings forecasts over the coming months.

A key risk in the short term is cash flow and therefore credit risk within emerging markets as well as globally. More broadly, the degree and duration of demand destruction and whether various stimulus policies are successful remain to be seen. The impact on supply chains of key technology, healthcare and industrial products and the degree to which end customers are willing to pay more for greater security of supply are key questions.

We are also aware of the longer-term implications for emerging markets. There is the risk of unintended consequences from the further stimulus efforts needed to help economies, given that globally both monetary and fiscal policies were highly accommodative going into this crisis, and existing imbalances post the global financial crisis could be exacerbated. We could also see potential acceleration of supply chain diversification and possibly more concerted shifts toward localisation.

With over 30 years in managing emerging market strategies, we are no strangers to crisis and are experienced in investing through highly volatile periods including the Asian and Global Financial Crises, which we believe have helped us to remain calm and focused in the current crisis. We recognise that this period will pass; history has shown us that economies and markets will eventually stabilise and recover. Valuation and sustainable earnings remain key.

Chetan Sehgal
Lead Portfolio Manager

4 June 2020

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 43 to 47 of the full Annual Report.

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

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

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

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

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

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

Responsibility statement

Each of the Directors, who are listed on pages 43 to 45 of the full Annual Report, confirms that to the best of their knowledge:

- The Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company for the year ended 31 March 2020; and
- The Chairman's Statement, Strategic Report and the Directors' Report 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 2020

Financial Statements

Statement of Comprehensive Income

For the Year Ended 31 March 2020

		Year ended 31 March 2020			Year ended 31 March 2019		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments and foreign exchange							
Net gains/(losses) on investments at fair value	8	–	(271,335)	(271,335)	–	(3,892)	(3,892)
Net gains/(losses) on foreign exchange		–	(883)	(883)	–	(6,184)	(6,184)
Income							
Dividends	2	74,470	–	74,470	59,230	–	59,230
Other income	2	643	–	643	439	–	439
		75,113	(272,218)	(197,105)	59,669	(10,076)	49,593
Expenses							
AIFM fee	3	(5,900)	(13,766)	(19,666)	(5,954)	(13,892)	(19,846)
Other expenses	4	(2,095)	–	(2,095)	(1,935)	–	(1,935)
		(7,995)	(13,766)	(21,761)	(7,889)	(13,892)	(21,781)
Profit/(loss) before finance costs and taxation		67,118	(285,984)	(218,866)	51,780	(23,968)	27,812
Finance costs	5	(873)	(2,037)	(2,910)	(1,111)	(2,603)	(3,714)
Profit/(loss) before taxation		66,245	(288,021)	(221,776)	50,669	(26,571)	24,098
Tax income/(expense)	6	(6,312)	1,350	(4,962)	(5,798)	(692)	(6,490)
Profit/(loss) for the year		59,933	(286,671)	(226,738)	44,871	(27,263)	17,608
Profit/(loss) attributable to equity holders of the Company		59,933	(286,671)	(226,738)	44,871	(27,263)	17,608
Earnings per share	7	24.40p	(116.75)p	(92.35)p	17.26p	(10.48)p	6.78p
Ongoing charges ratio				1.02%			1.02%

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 81 to 97 of the full Annual Report are an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2020

	Note	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Non-current assets			
Investments at fair value through profit or loss	8	1,780,253	2,162,435
Current assets			
Trade and other receivables	9	10,736	11,612
Cash and cash equivalents		87,830	73,213
Total current assets		98,566	84,825
Current liabilities			
Deferred tax provision	6	–	(1,578)
Other payables	10	(3,169)	(127,498)
Total current liabilities		(3,169)	(129,076)
Net current assets/(liabilities)		95,397	(44,251)
Non-current liabilities			
Other payables falling due after more than one year	11	(100,000)	–
Total assets less liabilities		1,775,650	2,118,184
Share capital and reserves			
Equity Share Capital	12	65,812	68,045
Capital Redemption Reserve		16,857	14,624
Capital Reserve		1,136,322	1,492,845
Special Distributable Reserve		433,546	433,546
Revenue Reserve		123,113	109,124
Equity Shareholders' Funds		1,775,650	2,118,184
Net Asset Value pence per share(a)		732.3	842.5

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

The Financial Statements of Templeton Emerging Markets Investment Trust PLC (company registration number SC118022) on pages 77 to 97 in the full Annual Report were approved for issue by the Board and signed on 4 June 2020.

Paul Manduca
Chairman

Simon Jeffreys
Director

Statement of Changes in Equity

For the Year Ended 31 March 2020

		Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
	Note						
Balance at 31 March 2018		69,480	13,189	1,667,608	433,546	116,989	2,300,812
Profit/(loss) for the year		–	–	(27,263)	–	44,871	17,608
Equity dividends	13	–	–	–	–	(52,736)	(52,736)
Purchase and cancellation of own shares	12	(1,435)	1,435	(41,386)	–	–	(41,386)
Purchase of own shares into treasury	12	–	–	(106,114)	–	–	(106,114)
Balance at 31 March 2019		68,045	14,624	1,492,845	433,546	109,124	2,118,184
Profit/(loss) for the year		–	–	(286,671)	–	59,933	(226,738)
Equity dividends	13	–	–	–	–	(45,944)	(45,944)
Purchase and cancellation of own shares	12	(2,233)	2,233	(69,852)	–	–	(69,852)
Balance at 31 March 2020		65,812	16,857	1,136,322	433,546	123,113	1,775,650

The accompanying notes on pages 81 to 97 in the full Annual Report are an integral part of the Financial Statements.

Statement of Cash Flows

For the Year Ended 31 March 2020

	Note	For the year to 31 March 2020 £000	For the year to 31 March 2019 £000
Cash flows from operating activities			
Profit/(loss) before finance costs and taxation		(218,866)	27,812
Adjustments for:			
Bank and deposit interest		(622)	(439)
Dividend income		(74,470)	(59,230)
Net losses on investments at fair value	8	271,335	3,892
Net losses on foreign exchange		883	6,184
Stock dividends received in year		(103)	(511)
(Increase) in debtors		(732)	(908)
Increase/(decrease) in creditors		(108)	1,670
Cash generated from operations		(22,683)	(21,530)
Bank and deposit interest received		622	439
Dividends received		72,987	60,425
Tax paid		(6,540)	(5,839)
Net cash inflow from operating activities		44,386	33,495
Cash flows from investing activities			
Purchases of non-current financial assets		(440,488)	(262,622)
Sales of non-current financial assets		553,409	458,308
Net cash inflow from investing activities		112,921	195,686
Cash flows from financing activities			
Equity dividends paid	13	(45,944)	(52,736)
Purchase and cancellation of own shares		(69,453)	(40,972)
Repurchase of shares into treasury		–	(106,543)
Repayment of revolving credit facility		(124,679)	(19,872)
Draw down of fixed term loan		100,000	–
Bank loans interest and fees paid		(2,614)	(3,688)
Net cash outflow from financing activities		(142,690)	(223,811)
Net increase/(decrease) in cash		14,617	5,370
Cash at the start of the year		73,213	67,843
Cash at the end of the year		87,830	73,213

The accompanying notes on pages 81 to 97 in the full Annual Report are an integral part of the Financial Statements.

Reconciliation of liabilities arising from bank loans

	Liability as at 31 March 2019 £000	Cash flows £000	Non-cash movements Profit & Loss £000	Liability as at 31 March 2020 £000
Revolving credit facility	124,679	(124,679)	–	–
Interest and fees payable	165	(2,565)	2,511	111
Fixed term loan	–	100,000	–	100,000
Interest and fees payable	–	(49)	399	350
Total liabilities from bank loans	124,844	(27,293)	2,910	100,461

Notes to the Financial Statements

As at 31 March 2020

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 in November 2014 and updated in February 2018 and October 2019 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

At the date of authorisation of these Financial Statements, the following amendment to the IFRS Standards and Interpretations was assessed to be relevant and is effective for annual periods beginning on or after 1 January 2019:

- IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 has 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 were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2020:

- IAS 1 and IAS 8 Amendments: Definition of Material
- IFRS 9, IAS 39 and IFRS 7 Amendments: Interest Rate Benchmark Reform

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 2020, the Company had net current assets of £95,397,000 (31 March 2019: net current liabilities of £44,251,000). The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future for the company to meet its objectives and measure performance against them. The Directors considered the COVID-19 pandemic and the impact this may have on the Company, in particular noting that, in addition to its net current assets the Company holds a portfolio of largely liquid assets that, if required, can be sold to maintain adequate cash balances to meet its expected cash flows, including debt servicing. The repayment of the principal balance of the Company’s debt facility does not fall due until 2025. The Directors also reviewed scenarios of a significant drop in value of the assets and noted that they will still be significantly higher than liabilities. They have also confirmed the resiliency of the Company’s key service providers and are satisfied that their contingency plans and working arrangements are sustainable. The Board has established a framework of prudent and effective controls performed periodically by the Audit Committee, which enable risks to be assessed and managed. Therefore, the going concern basis has been adopted in preparing the Company’s Financial Statements. The Going Concern statement is set out on page 56 of the full Annual Report.

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

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

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

(b) Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented within the Statement of Comprehensive Income. In accordance with the Company's Articles of Association, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure that the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

(c) Income

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 forgone 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

All 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 purchase or disposal of an investment are treated as capital. Details of transaction costs on purchases and sales of investments are disclosed in Note 8; and
- Expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. 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. 70% of the finance costs have been allocated to the capital account.

(f) Taxation

The tax expense represents the sum of current and deferred tax. Tax receivables will be recognised when "virtually certain".

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 classifies its equity investments based on their contractual cash flow characteristics and the Company's business model for managing the assets. 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. Equity investments fail the contractual cash flows test so are measured at fair value. Accordingly, upon initial recognition, all of the Company's non-current asset investments are held 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 IFRS 13.

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 the market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis making use of available and supportable market data as possible).

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 as 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. Additionally, 70% of the annual AIFM fee and finance costs are charged to this reserve in accordance with accounting policies 1(d) and 1(e).

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

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

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

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

2 Income

	2020 £'000	2019 £'000
Dividends		
Non-EU dividends	70,670	55,690
UK dividends	2,047	1,666
Other EU dividends	1,650	1,363
Stock dividends	103	511
	74,470	59,230
Other income		
Bank and deposit interest	622	439
Stock lending income	21	–
	643	–
Total	75,113	59,669

3 AIFM fee

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
AIFM fee	5,900	13,766	19,666	5,954	13,892	19,846

The Company has a contract with FTIS as Alternative Investment Fund Manager.

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

The AIFM fee is paid monthly and based on the monthly trading total net assets of the Company. From 1 July 2018, the AIFM fee was reduced from 1% of net assets up to £2 billion and 0.85% of net assets above £2 billion to 1% of net assets up to £1 billion and 0.85% of net assets above £1 billion.

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

4 Other expenses

	2020 £'000	2019 £'000
Custody fees	679	803
Shareholder communications and marketing	297	206
Directors' remuneration	247	247
Depositary fees	182	173
Membership fees	135	144
Registrar fees	113	81
Printing and postage fees	42	37
Auditors' remuneration		
Audit of the annual financial statements	33	33
Review of the Half Yearly Report	5	6
Indian tax compliance	8	–
Broker fees	32	30
Legal fees	30	6
Other expenses	292	169
Total	2,095	1,935

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 Finance costs

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Revolving credit facility	753	1,758	2,511	1,111	2,603	3,714
Fixed term loan	120	279	399	–	–	–
Total	873	2,037	2,910	1,111	2,603	3,714

6 Tax on ordinary activities

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Overseas withholding tax	6,312	–	6,312	5,798	–	5,798
Overseas capital tax	–	228	228	–	41	41
Prior period adjustments	–	–	–	–	–	–
Total current tax	6,312	228	6,540	5,798	41	5,839
Deferred tax	–	(1,578)	(1,578)	–	651	651
Total tax	6,312	(1,350)	4,962	5,798	692	6,490

	2020 £'000	2019 £'000
Profit/(loss) before taxation	(221,776)	24,098
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	(42,137)	4,579
Effects of:		
– Capital element of profit/loss	51,721	1,914
– Irrecoverable overseas tax	6,312	5,798
– Excess management expenses	2,357	3,093
– Overseas capital gains tax	228	41
– Income taxable in different periods	(63)	(27)
– Dividends not subject to corporation tax	(11,183)	(8,900)
– Movement in provision for deferred tax	(1,578)	651
– UK dividends	(389)	(414)
– Overseas tax expensed	(306)	(245)
Actual tax charge	4,962	6,490

As at 31 March 2020 the Company had unutilised management expenses of £144.8 million carried forward (2019: £132.4 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

	2020 £'000	2019 £'000
Balance brought forward	1,578	927
Charge for the year	(1,578)	651
Balance carried forward	–	1,578
Provision consists of:		
– Overseas capital gains tax liability	–	1,578
	–	1,578

As at 31 March 2020 there were no unrealised gains relating to Indian holdings therefore there is no provision for deferred tax at the year end. The prior year balance represents a provision for deferred tax recognised on unrealised gains on Indian holdings as at 31 March 2019.

7 Earnings per share

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Earnings	59,933	(286,671)	(226,738)	44,871	(27,263)	17,608
	Revenue pence	2020 Capital pence	Total pence	Revenue pence	2019 Capital pence	Total pence
Earnings per share	24.40	(116.75)	(92.35)	17.26	(10.48)	6.78

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 245,537,352 (year to 31 March 2019: 259,970,471).

8 Financial assets – investment

	2020 £'000	2019 £'000
Opening investments		
Book cost	1,501,311	1,567,756
Net unrealised gains/(losses)	661,124	802,590
Opening fair value	2,162,435	2,370,346
Movements in year:		
Additions at cost	440,354	263,370
Disposal proceeds	(551,201)	(467,389)
Net gains/(losses) on investments at fair value	(271,335)	(3,892)
	1,780,253	2,162,435
Closing investments		
Book cost	1,539,265	1,501,311
Net unrealised gain/(losses)	240,988	661,124
Closing investments	1,780,253	2,162,435

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

Transaction costs for the year on purchases were £503,000 (2019: £478,000) and transaction costs for the year on sales were £843,000 (2019: £999,000). The aggregate transaction costs for the year were £1,346,000 (2019: £1,477,000).

	2020 £'000	2019 £'000
Net gains/(losses) on investments at fair value comprise:		
Net realised gain based on carrying value as at 31 March	148,802	137,574
Net movement in unrealised (depreciation)/appreciation	(420,137)	(141,466)
Net gains/(losses) on investments at fair value	(271,335)	(3,892)

9 Trade and other receivables

	2020 £'000	2019 £'000
Dividends receivable	7,204	5,721
Overseas tax recoverable	3,499	2,727
Sales awaiting settlement	33	3,124
Other debtors	–	40
Total	10,736	11,612

10 Other payables

	2020 £'000	2019 £'000
Accrued expenses	1,895	2,003
Amounts owed for share buybacks	813	414
Interest and fees on borrowings	461	165
Revolving credit facility repayable	–	124,679
Purchase of investments for future settlement	–	237
Total	3,169	127,498

	2020 £'000	2019 £'000
Interest and fees on borrowings consists of:		
Fixed term loan	350	–
Revolving credit facility	111	165
Total	461	165

Revolving credit facility

On 31 January 2020, the Company revised the agreement with The Bank of Nova Scotia, London Branch. Under the new terms, the Company can borrow £120.0 million (2019: £220 million) via an unsecured revolving credit facility (the 'facility') for a period of three years. Balances can be drawn down in GBP, USD or CNH.

The facility bears interest at the rate of 1.125% over the relevant Inter-Bank Offer Rate on any drawn balance. Undrawn balances in excess of £60.0 million are charged at 0.40% and any undrawn portion below this is charged at 0.35%. Under the terms of the facility, the net assets shall not be less than £1,015 million and the adjusted net asset coverage to all borrowings shall not be less than 3.5:1.

The facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserves and shown in the capital column of the Statement of Comprehensive Income. Interest costs are charged to capital (70%) and revenue (30%) in accordance with the Company's accounting policies.

11 Other payables falling due after more than one year

	2020 Book value £'000	2019 Book value £'000
Fixed term loan	100,000	–
	100,000	–

Fixed term loan

On 31 January 2020, the Company entered into a term loan (the 'term loan') for a period of five years with Scotiabank Europe PLC for £100.0 million.

The term loan bears interest at the fixed rate of 2.089%. Under the conditions of the term loan, the net assets shall not be less than £1,015 million and the adjusted net asset coverage to all borrowings shall not be less than 3.5:1.

The facility is shown at amortised cost. Interest costs are charged to capital (70%) and revenue (30%) in accordance with the Company's accounting policies.

12 Equity share capital

	2020		2019	
	Allotted, issued & fully paid £'000	Number	Allotted, issued & fully paid £'000	Number
Shares of 25p each				
Opening balance	68,045	251,416,170	69,480	271,962,342
Purchase and cancellation of own shares	(2,233)	(8,932,031)	(1,435)	(5,737,604)
Purchase of own shares into treasury	–	–	–	(14,808,568)
Closing balance	65,812	242,484,139	68,045	251,416,170

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, 8,932,031 shares were bought back for cancellation at a cost of £69,852,000 (2019: 5,737,604 shares were bought back for cancellation at a cost of £41,386,000). All shares bought back in the year were cancelled, with none being placed in treasury (2019: 14,808,568 shares were placed into treasury for a total consideration of £106,114,000).

As at 31 March 2020 the Company held 20,765,179 shares in treasury (2019: 20,765,179 shares).

13 Dividend

	2020		2019	
	Rate (pence)	£'000	Rate (pence)	£'000
Declared and paid in the financial year				
Dividend on shares:				
Final dividends for the years ended 31 March 2019 and 31 March 2018	11.00	27,421	15.00	39,982
Interim dividends for the six-month periods ended 30 September 2019 and 30 September 2018	5.00	12,187	5.00	12,754
Special dividend for the period 1 April 2019 to 30 September 2019	2.60	6,336		
Total	18.60	45,944	20.00	52,736
Proposed for approval at the Company's AGM				
Dividend on shares:				
Final dividend for the year ended 31 March 2020	14.00	33,779		

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 AGM.

14 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 and October 2019, 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 2020, which have a material effect on the results or the financial position of the Company.

15 Risk management

In pursuing the Company's objective, set out on page 8 of the full 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 investment and concentration risk, 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 agreed 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, such a process could result in an unacceptable level of cost and/or a reduction in the potential for capital growth.

100% (2019: 100%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 20% 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 £356,051,000 (2019: £432,487,000). The analysis for last year assumes a share price decrease of 20%.

A 20% increase (2019: 20% 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:

2020					
Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank, loans and other payables £'000	Total net foreign currency exposure £'000	Investments at fair value through profit or loss £'000
US dollar	112	–	–	112	447,757
Hong Kong dollar	33	(33)	–	–	383,183
Korean won	4,514	–	–	4,514	306,197
Taiwan dollar	4,843	–	–	4,843	199,449
Indian rupee	–	85	–	85	115,004
Other	1,224	–	(1)	1,223	271,821

2019					
Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank, 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

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.

As at 31 March 2020, 64.8% of the investments shown as US dollar and Hong Kong dollar are Chinese companies with exposure to the Chinese yuan.

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 the top 5 currencies on the reporting date. With all other variables held constant, the revenue and capital return would have decreased by the below amounts.

	2020		2019	
	Revenue £'000	Capital Return £'000	Revenue £'000	Capital Return £'000
Financial assets and liabilities				
US dollar	2,066	44,776	1,566	54,876
Hong Kong dollar	1,762	38,318	1,015	34,715
Korean won	829	30,620	832	28,927
Taiwan dollar	1,098	19,945	735	19,916
Indian rupee	216	11,500	181	16,222
Total	5,970	145,159	4,329	154,656

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 interest bearing 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.

The fixed term loan incurs a fixed rate of interest and is carried at amortised cost rather than fair value. Hence, movements in interest rates will not affect net asset values, as reported under the Company's accounting policies. The fair value of the debt and its effect on the Company's assets are set out below.

Interest rate risk profile

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

	2020 £'000	2019 £'000
Revolving credit facility	–	(124,844)
Cash	87,830	73,213
Net exposure at year end	87,830	(51,631)

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:

	2020		2019	
	1.0% increase in rate £'000	1.0% decrease in rate £'000	1.0% increase in rate £'000	1.0% decrease in rate £'000
Revenue	878	(878)	358	(358)
Capital	–	–	(874)	874
Total	878	(878)	(516)	516

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.

The impact of holding the term loan at fair value would be to decrease the Company's net assets by £782,000. The fair value of the Company's term loan at the year end was £100,782,000 (2019: n/a^(a)). The interest rate of the term loan is fixed. A 1.0% increase in market interest rates would be expected to decrease the fair value of the term loan by approximately £4,421,000 (2019: £ n/a), all other factors being equal. A 1.0% decrease would increase the fair value by £4,678,000 (2019: £ n/a).

^(a) As detailed in Note 11, the Company entered into the sterling term loan on 31 January 2020.

Liquidity risk

The Company's assets comprise mainly 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.

The below table details the maturity profile of the Company's financial liabilities as at 31 March 2020, based on the earliest date on which payment can be required and current exchange rates as at the Balance Sheet date:

	In one year or less £'000	Less than one year and not later than two years £'000	Later than two years and not later than three years £'000	More than three years £'000	Total £'000
As at 31 March 2020					
Fixed term loan	2,089	2,089	2,089	103,840	110,107
Other payables	3,169	–	–	–	3,169
Total	5,258	2,089	2,089	103,840	113,276

	In one year or less £'000	Less than one year and not later than two years £'000	Later than two years and not later than three years £'000	More than three years £'000	Total £'000
As at 31 March 2019					
Other payables	127,498	–	–	–	127,498
Total	127,498	–	–	–	127,498

Investments held by the Company are valued in accordance with the accounting policies. 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.

During the year, the Company participated in a securities lending programme through JPMorgan as the lending agents. As at 31 March 2020, the market value of the securities on loan and the corresponding collateral received were as follows:

Counterparty	31 March 2020		31 March 2019	
	Market value of securities on loan £'000	Market value of collateral received £'000	Market value of securities on loan £'000	Market value of collateral received £'000
Merrill Lynch International	7,891	8,335	—	—
HSBC Bank	19	73	—	—
	7,910	8,408	—	—

The maximum aggregate value of securities on loan at any time during the year was £13,375,000. The collateral received comprised of investment grade sovereign bonds and treasury notes.

Fair value

Fair values are derived as follows:

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

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

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

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

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

Valuation hierarchy fair value through profit and loss

	31 March 2020				31 March 2019			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed investments	1,780,253	—	—	1,780,253	2,115,417	—	47,018 ^(a)	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 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.

16 Significant holdings in investee undertakings

As at 31 March 2020 and 2019, TEMIT had no significant holdings of 3% or more of any issued class of security within the portfolio.

17 Contingent liabilities

No contingent liabilities existed as at 31 March 2020 or 31 March 2019.

18 Contingent assets

TEMIT has filed historic claims with HMRC for exemption of pre 2009 dividend income from Corporation Tax based on the Prudential & CFC FII GLO cases. HMRC issued a business brief to TEMIT on 31 January 2020 stating the way it intends to handle these claims and has begun issuing closure notices for accounting periods where claims have been made and HMRC has opened a protective enquiry.

Based on advice from TEMIT's legal representatives, it is considered probable that the claim for the Financial Year ended April 2004 will be successful. The best estimate of the amount expected to be recovered is £3,802,000 (inclusive of interest).

19 Financial commitments

There were no financial commitments as at 31 March 2020 or 31 March 2019.

20 Events after the reporting period

There were two material events after the reporting period:

- The proposed final dividend, which has been disclosed in Note 13; and
- On 28 May 2020, TEMIT received £26,524,000 (inclusive of interest) from HMRC as settlement for the Company's outstanding claims for the Financial Years ended 2005-2009 in relation to the Prudential & CFC FII GLO cases referenced in Note 18. The balance was not recognised in the Financial Year ended 2020 as the likelihood of recovery did not meet the threshold of "virtually certain". The amount was assessed as "virtually certain" following correspondence with HMRC received after 31 March 2020. In accordance with IFRS and the Company's accounting policy, the balance has been recorded in the Financial Year ending 31 March 2021.

The statutory accounts for the period ended 31 March 2020 received an audit report which was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) and (3) of the Companies Act 2006, and will be delivered to the Registrar of Companies.

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

For further information please e-mail CompanySecretarialEdinburgh@franklintempleton.com or contact Client Dealer Services at Franklin Templeton on free phone 0800 305 306, +44 (0) 20 7073 8690 for overseas investors, or e-mail enquiries@franklintempleton.co.uk.