



# 2019

## REPORT AND ACCOUNTS





On 3 April 2018, as a result of the proposals to redomicile Utilico Emerging Markets Limited (“UEM Bermuda”) to the United Kingdom, the shareholders of UEM Bermuda exchanged all their shares in UEM Bermuda for shares in Utilico Emerging Markets Trust plc (“UEM” or the “Company”) on a one for one basis and UEM Bermuda became a wholly owned subsidiary of UEM. In the years prior to 31 March 2019, where reference is made to comparative numbers for information purposes, these will relate to UEM’s predecessor, UEM Bermuda.

UEM’s investment objective is to provide long-term total return through a flexible investment policy that permits UEM to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

**TRUSTED**

A closed end fund focused on long-term total return

**DIVERSIFIED**

A diverse portfolio of operational cash generative investments

**PROVEN**

Strong management team with an award winning record of outperformance

## FINANCIAL HIGHLIGHTS



NET ASSET VALUE  
("NAV") TOTAL RETURN  
PER SHARE \*

3.5%

NAV OF  
249.84P  
PER SHARE \*

↑ 1.1%

REVENUE EARNINGS  
PER SHARE OF

7.47p

DIVIDENDS  
PER SHARE

↑ 2.9%

\* See Alternative Performance Measures on page 90

UEM is an award winning specialist fund focused on long-term total return predominantly in infrastructure and utility investments.





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The business of the Company consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, with the aim of spreading investment risk and generating a return for shareholders. The joint portfolio managers of the Company are ICM Investment Management Limited ("ICMIM") and ICM Limited ("ICM"), together referred to as the "Investment Managers".




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### FINANCIAL CALENDAR

#### Year End

31 March

#### Annual General Meeting

17 September 2019

#### Half Year

30 September

#### Dividends Payable

March, June, September and December

### FORWARD-LOOKING STATEMENTS

This report and accounts may contain "forward-looking statements" with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them as at the date of this report. Nothing in this publication should be construed as a profit forecast.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.



## WHY UTILICO EMERGING MARKETS TRUST PLC?



UEM aims to provide long-term total return by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets.

### OPPORTUNITY

UEM offers a diverse portfolio of high conviction, bottom up investments spread across jurisdictions and sectors. Most investments pay rising dividends, contributing to UEM's dividend performance.

### EMERGING MARKETS

Emerging markets ("EM") offer higher GDP growth and coupled with the urbanisation and expansion of the middle class,

delivers attractive investment opportunities for UEM. The EM middle class sector is expected to double in ten years, which will drive infrastructure and utility investment needs.

### HIGH OPERATING LEVERAGE

UEM's portfolio is predominantly operational. Infrastructure and utility assets are enablers of growth in EM and usually offer high operating leverage.

### UTILITIES AND INFRASTRUCTURE ASSETS

At a time of heightened uncertainty, these assets should continue to deliver predictable and sustainable income streams resulting in UEM's covered dividend payments – giving investors protection in a volatile world. These are long-term assets with established regulatory frameworks.

## CHAIRMAN'S STATEMENT

I am pleased to report that, in difficult markets, UEM has continued to deliver a positive performance achieving a NAV total return per share of 3.5% for the period to 31 March 2019.



**JOHN RENNOCKS**  
Chairman

The past year has seen rising economic and stock market volatility and presented a challenge for UK domestic EM investors, especially in the face of continued Brexit uncertainties. Volatility was magnified by geopolitical concerns, trade skirmishes initiated by the Trump administration, concerns over Central Banks' withdrawal of Quantitative Easing ("QE") and a firming interest rate outlook, all of which heightened market risk. In this context, the positive performance of UEM is a good achievement.

As at the half year, UEM's NAV total return per share was down 7.5%, which partly reflected our strong conviction in Brazil. The Brazilian Ibovespa Index (GBP adjusted) was down 17.9% for that half year period. I am pleased to report that our conviction paid off as the Brazilian Index was up 24.4% in the second half of the year. Pleasingly, the current year's performance for UEM of 3.5% was ahead of the MSCI Emerging Markets Total Return Index (GBP adjusted) ("MSCI") which was unchanged over the period. UEM also continues to receive strong industry recognition, which included being selected again as one of Money Observer's 'rated funds' for 2019. The fund was also featured in the Daily Telegraph's Investing Fund of the Week.

As we noted at the half year stage, there are two opposing forces at work in global markets at the moment: populist political leadership and Central Bank activity. Populist leaders are elected to challenge the existing political establishment, while Central Banks are seeking to move policies back to a more "normal" setting. In the US, President Trump is pursuing populist protectionist policies that include import duties, sanctions, tax cuts for US corporates and a

USA first policy. The US Federal Reserve on the other hand is pursuing a policy aimed at tightening financial conditions that include Quantitative Tightening and raising interest rates. The populists are looking to deliver policy changes with little regard for more traditional economics while the Central Banks are looking to contain the inflationary policies that are being implemented.

Over the year we have seen a continuing rise in populism from the election of Andres Manuel Lopez Obrador in Mexico through to the Five Star Movement in Italy, and more recently the election of Volodymyr Zelensky in the Ukraine. We expect this trend to continue. The Central Banks have collectively had to moderate their fiscal policies as economies have slowed down. While the US Federal Reserve continues its reversal of QE, it has moderated its interest rate outlook, as has the European Central Bank, the Reserve Bank of Australia and the Chinese Central Bank. All are being more accommodating in their messaging to the market.

The combination of weaker Central Bank positioning and firmer than expected global growth has seen the stock markets recover much of the ground in 2019 that was given up in late 2018. The S&P at the time of writing is close to its all-time high.

One challenge for EM has been reduced US Dollars in circulation, leading to a broad economic slowdown. This has placed pressure on EM economies and markets. Added to this, the continued rise in oil prices has had the effect of weakening several EM economies as energy costs rise sharply.

The level of market volatility that has resulted from these activities has been much higher. As a general statement Sterling was down versus Asian currencies but up against Latin American currencies.





UEM ACHIEVED A NAV TOTAL RETURN PER SHARE OF

3.5%

FOR THE FULL YEAR TO  
31 MARCH 2019.

China remains a key driver of the EM economies and there is no doubt that Trump's relentless focus on China trade is having a negative impact. China's desire to pivot away from a capital investment-driven economy towards a more consumer-led economy is proving to be a challenge. It will be some time before we understand the full impact of the economic confrontation between the US and China. However, we are hopeful that an agreement is reached between the world's top two economies and that investment markets will respond favourably. For its part, China has softened a number of factors domestically which should stimulate both consumer demand (lower taxes) and SMEs activity (easier access to capital). Both the US and China are expected to see firmer Gross Domestic Product growth this year.

#### DIVIDEND

The profile of UEM's existing investments remains largely the same. These are businesses that are predominantly profitable, dividend-paying, cash generative and offer attractive long-term total returns. These investee companies continued to deliver steady growth in both income and revenue earnings per share for UEM. This result is particularly pleasing given the combined impact of an increased number of shares in issue (following the exercise of subscription shares in February 2018) and the currency headwinds resulting from Sterling's appreciation against Latin American currencies, where corporates are higher dividend payers. The Board has declared this year four quarterly dividends totalling 7.20p, an uplift of 2.9% over the previous year. Dividends remain fully covered by income. Ongoing charges were 1.0%, in line with last year and no performance fee was paid.

# CHAIRMAN'S STATEMENT (continued)

## CHANGE OF DOMICILE

UEM successfully redomiciled to the UK with shares in UEM admitted to the premium listing segment of the Financial Conduct Authority's Official List and trading on the London Stock Exchange's main market on 3 April 2018. The Board is hopeful that, with UEM now a UK-based investment trust with a premium listing (seen as the 'gold standard' for investment companies), the move will have the potential to improve investor perception and accordingly narrow the discount to NAV.

The redomicile was effected by way of a share-for-share exchange with UEM Bermuda, which became a wholly-owned subsidiary of UEM. I am pleased to report that ICM, ICMIM and our other service providers have worked seamlessly to transfer the portfolio from UEM Bermuda to UEM. I thank them for their diligence and commitment. In our new world of heightened KYC and regulation this has been no mean feat.

Since UEM is a new company it has no comparatives. However, we continue to refer to UEM Bermuda's historic financial record and any references to prior periods for comparison purposes are to UEM Bermuda.

As at UEM Bermuda's last year end, the revenue reserves carried forward were £14.3m and capital reserves were £292.7m. At the outset UEM, as a new company, had no revenue or capital reserves. However, in May 2018, under a court sanctioned

capital reduction, UEM transferred £500.0m from its capital redemption reserve into a distributable special reserve, enabling UEM to subsequently buy back shares and to declare dividends.

## SHARE BUYBACKS

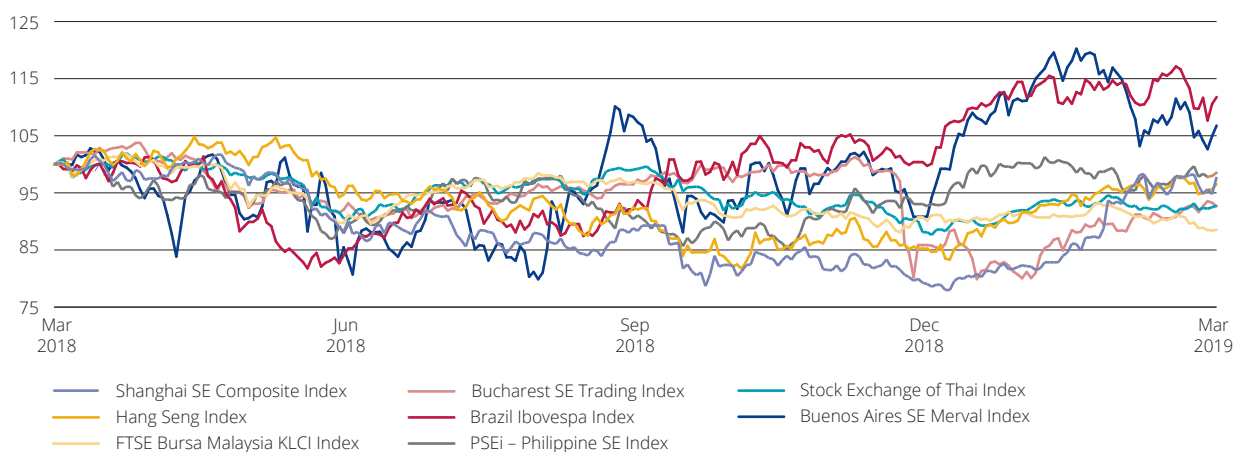
UEM's share price discount narrowed from 14.2% as at 31 March 2018 to 13.6% as at 30 September 2018, and narrowed further to 12.8% as at 31 March 2019, although it remains above levels the Board would wish to see. The Investment Managers have continued buying back UEM's shares for cancellation with 4.7m shares bought back in the period to 31 March 2019, at an average price of 201.02p. While the Board would like to see the discount narrow even more, any share buy back remains an investment decision. Traditionally the Investment Managers have bought back shares if the discount widens to over 10.0%. Since inception, the Company has bought back 47.5m ordinary shares totalling £80.9m. The buybacks now represent more than the initial capitalisation of UEM Bermuda when it came to market in July 2005.

## BOARD

Garry Madeiros has been a non-executive director of UEM since 2007 and he has informed the Board that he intends to retire following the conclusion of UEM's Annual General Meeting in September 2019.

## INDICES MOVEMENTS

March 2018 to March 2019





I would like to thank Garry, on behalf of the Board, for his excellent contributions and the experience he has brought to Board discussions during his time as both director and Chair of the Audit Committee. I am pleased to report that Eric Stobart has agreed to join the Board and will also chair the Audit Committee. Mr Stobart is currently a non-executive director and chair of the audit committee of UIL Limited and intends to step down from UIL Limited and join the Board of UEM in September 2019.

### IMPACT OF TRADING RELATIONSHIPS

The US China trade dispute is a concern and could, if it continues to escalate, impact world growth and UEM's portfolio. Brexit could, under a hard Brexit scenario, negatively impact European trade and therefore UEM's East European investments.

### OUTLOOK

We expect populism to continue to rise and influence the global agendas. This is likely to result in continuing volatility in investment markets as political positions harden or change sharply. The outcome of the US China trade talks is now enmeshed in a deeper conflict around technology and security. This heightens the risk of sharp divisions and outcomes are more volatile. Against this, the World's central banks are for the most part looking to soften their stance, which should

help to moderate the political impact of the populist governments.

I would note that, in the EM world, Bolsonaro is leading Brazil in the right direction on government costs, pensions and privatisations. Modi has been returned with a stronger mandate and President Xi is committed to growth. These economies, which account for 55.1% of UEM's portfolio, should respond to this.

It is worth re-emphasising that UEM's performance continues to be driven by bottom-up stock selection. The portfolio is predominantly invested in relatively liquid, cash-generative companies with long-duration assets that the Investment Managers believe are structurally undervalued and offer excellent total returns. Since inception over 10 years ago, UEM's track record of performance is proven and the Board has every confidence that the Investment Managers will continue to find investments offering attractive, long-term returns for UEM.

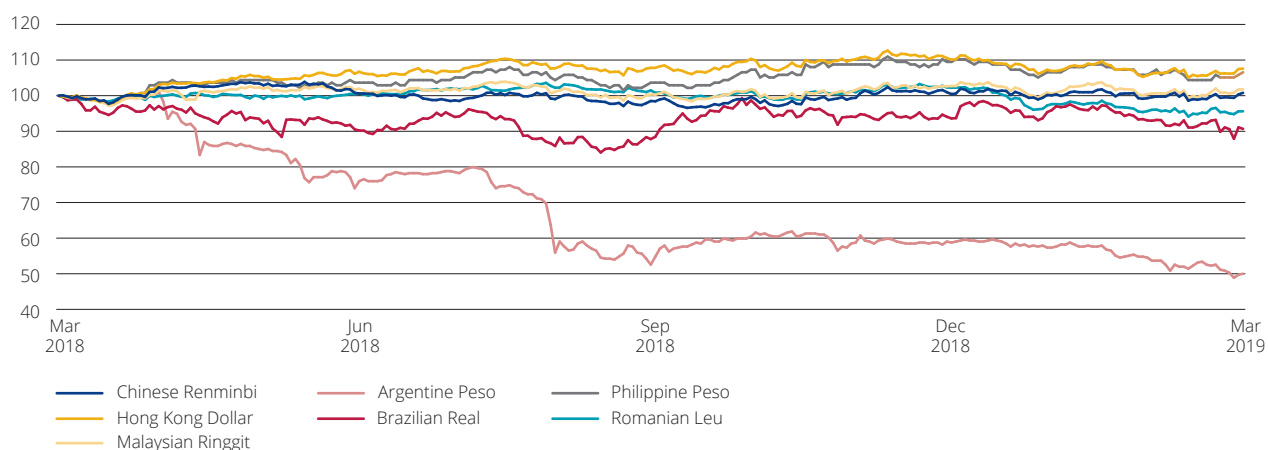
**John Rennocks**

Chairman

13 June 2019

### CURRENCY MOVEMENTS vs STERLING

March 2018 to March 2019



Rebased to 100 as at 31 March 2018

Source: Bloomberg

# GEOGRAPHICAL INVESTMENT EXPOSURE

## OTHER EUROPE

March 2019	4.4%
March 2018	5.1%

## ROMANIA

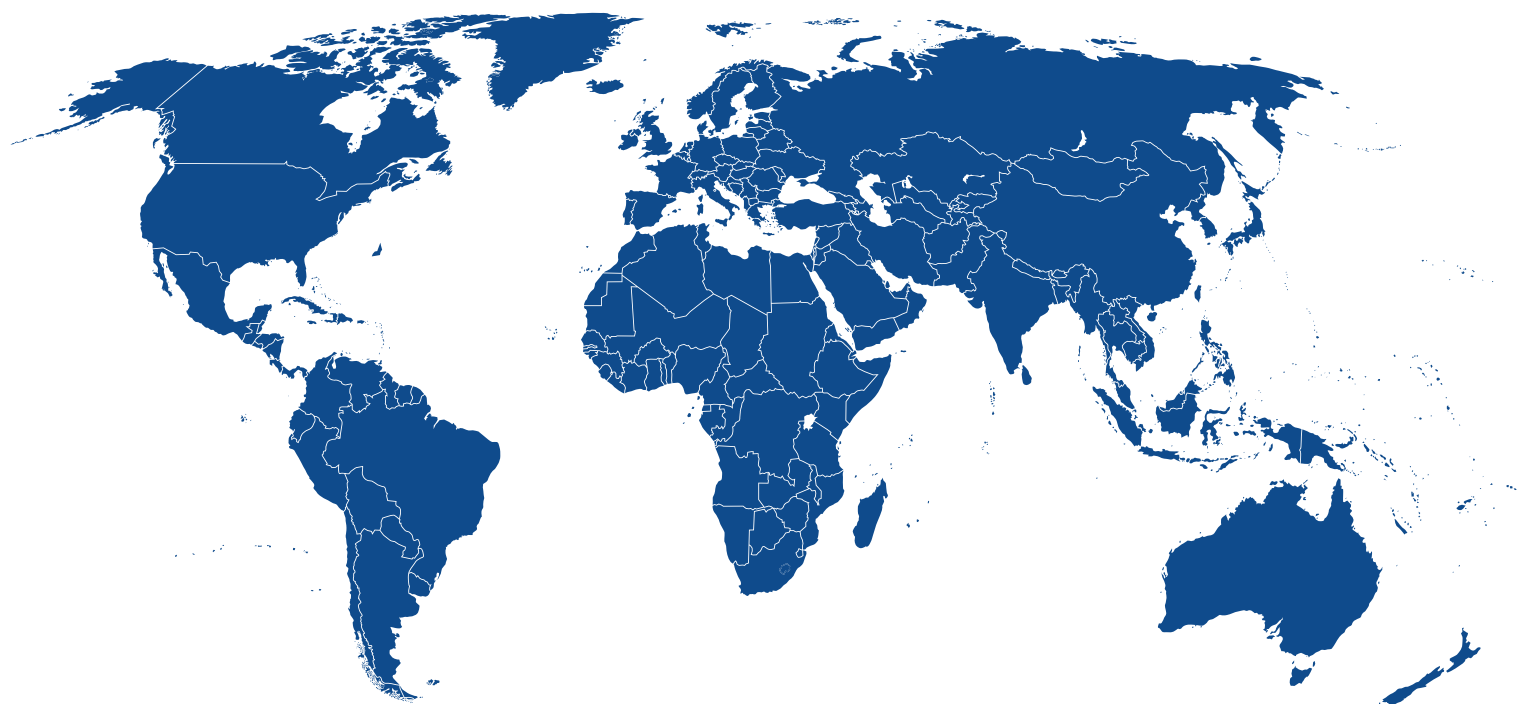
March 2019	7.0%
March 2018	10.8%

## CHINA (INCLUDING HONG KONG)

March 2019	20.3%
March 2018	17.2%

## OTHER ASIA

March 2019	4.4%
March 2018	3.8%



## BRAZIL

March 2019	29.0%
March 2018	23.1%

## MIDDLE EAST / AFRICA

March 2019	5.8%
March 2018	6.5%

## CHILE

March 2019	3.0%
March 2018	4.0%

## ARGENTINA

March 2019	3.4%
March 2018	10.2%

## INDIA

March 2019	5.8%
March 2018	5.7%

## PHILIPPINES

March 2019	8.3%
March 2018	5.6%

## OTHER LATIN AMERICA

March 2019	6.0%
March 2018	4.0%

## THAILAND

March 2019	0.7%
March 2018	0.8%

## MALAYSIA

March 2019	1.9%
March 2018	3.2%

Source: ICM



## PERFORMANCE SUMMARY

	31 March 2019	31 March 2018 <sup>(1)</sup>	% change 2019/18
NAV total return per share <sup>(2)</sup> (annual) (%)	3.5	6.6	n/a
Share price total return per share <sup>(2)</sup> (annual) (%)	5.4	7.1	n/a
Annual compound NAV total return <sup>(2)</sup> (since inception) (%)	11.0	11.7	n/a
NAV per share <sup>(2)</sup> (pence)	249.84	247.22	1.1
Share price (pence)	217.90	212.00	2.8
Discount <sup>(2)</sup> (%)	(12.8)	(14.2)	n/a
Earnings per share (basic)			
– Capital (pence)	(0.12)	4.66	(102.6)
– Revenue (pence)	7.47	9.27	(19.4)
Total (pence)	7.35	13.93	(47.2)
Dividends per share			
– 1st quarter (pence)	1.80	1.70	5.9
– 2nd quarter (pence)	1.80	1.70	5.9
– 3rd quarter (pence)	1.80	1.80	0.0
– 4th quarter (pence)	1.80	1.80	0.0
Total (pence)	7.20	7.00	2.9
Gross assets <sup>(3)</sup> (£m)	581.9	579.8	0.4
Equity holders' funds (£m)	574.2	579.8	(1.0)
Shares bought back (£m)	9.5	21.9	(56.6)
Cash (£m)	11.7	8.1	44.4
Bank debt (£m)	(7.8)	–	100.0
Net cash/(debt) (£m)	3.9	8.1	(51.9)
Net cash/(debt) on net assets (%)	0.7	1.4	n/a
Management and administration fees and other expenses			
– excluding performance fee (£m)	5.9	5.7	3.5
– including performance fee (£m)	5.9	5.7	3.5
Ongoing charges figure <sup>(2)</sup>			
– excluding performance fee (%)	1.0	1.0	n/a
– including performance fee (%)	1.0	1.0	n/a

(1) Figures for 2018 relate to UEM Bermuda and are shown for comparative purposes

(2) See Alternative Performance Measures on page 90

(3) Gross assets less liabilities excluding loans

## PERFORMANCE SINCE INCEPTION (20 JULY 2005)

NAV ANNUAL  
COMPOUND TOTAL  
RETURN OF

11.0%

NAV TOTAL RETURN  
PER SHARE OF

320.1%

SHARE PRICE TOTAL  
RETURN PER SHARE OF

271.0%

47.5M SHARES  
BOUGHT BACK

£80.9m

DIVIDENDS PER SHARE  
INCREASED FROM  
1.50P TO

7.20p

DIVIDENDS PAID  
CUMULATIVE

£151.6m

### HISTORIC NAV AND SHARE PRICE PERFORMANCE (PENCE) <sup>(1)</sup>

from July 2005 to March 2019



(1) Rebased to 100 at 20 July 2005, the inception of UEM Bermuda

(2) Adjusted for the exercise of warrants and subscription shares

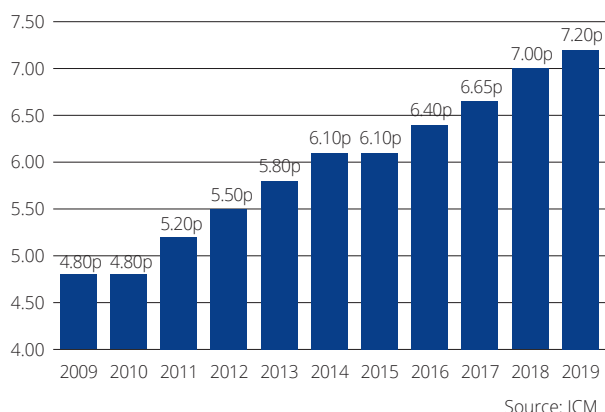
Source: ICM and Bloomberg



## TEN YEAR PERFORMANCE

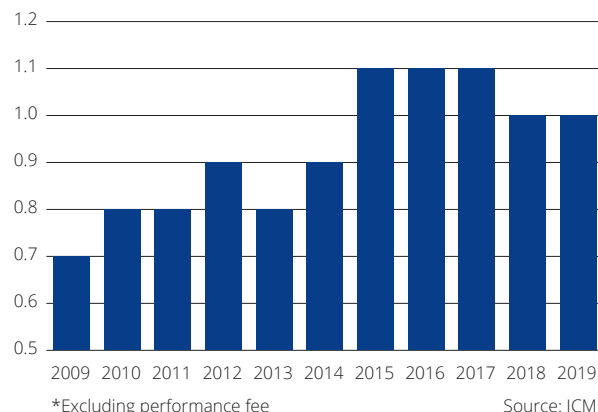
### DIVIDENDS PER SHARE (pence)

from March 2009 to March 2019



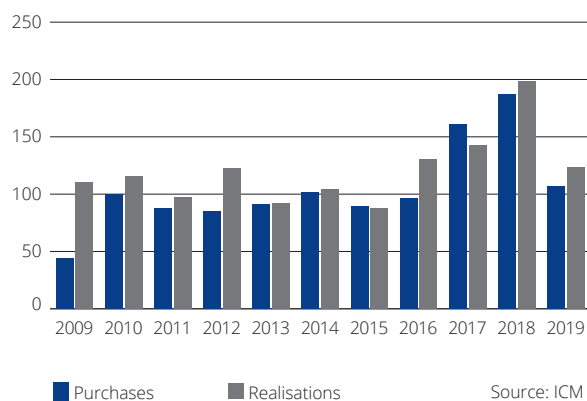
### ONGOING CHARGES\* (%)

from March 2009 to March 2019



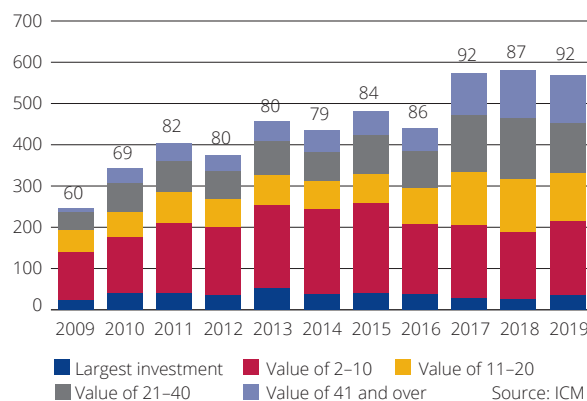
### INVESTMENT PURCHASES AND REALISATIONS (£m)

from March 2009 to March 2019



### PORTFOLIO PROGRESSION (£m) AND NUMBER OF HOLDINGS

from March 2009 to March 2019



UEM invests mainly in companies and sectors displaying the characteristics of essential services or monopolies.

## CURRENT YEAR PERFORMANCE

NAV TOTAL RETURN  
PER SHARE

3.5%

SHARE PRICE  
TOTAL RETURN  
PER SHARE

5.4%

NAV OF 249.84P  
PER SHARE

↑ 1.1%

SHARE PRICE  
OF 217.90P

↑ 2.8%

DIVIDENDS  
PER SHARE

↑ 2.9%

INVESTED  
(LOOK-THROUGH BASIS)\*

£108.7m

REALISED  
(LOOK-THROUGH BASIS)\*

£123.6m

ONGOING CHARGES

1.0%

\*Invested/Realised does not include portfolio transfers as a result of the redomicile of UEM Bermuda

4.7M SHARES  
BOUGHT BACK

£9.5m

TOTAL INCOME

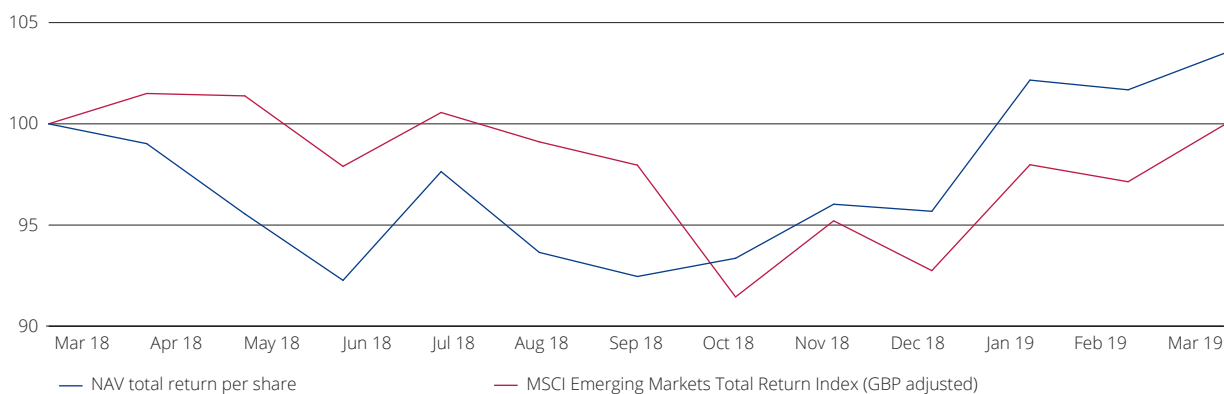
£21.4m

DIVIDENDS PAID

£12.5m

### TOTAL RETURN COMPARATIVE PERFORMANCE <sup>(1)</sup>

March 2018 to March 2019



(1) Rebased to 100 at 31 March 2018

Source: ICM and Bloomberg



UEM's portfolio is well positioned with a diverse portfolio and an ungeared balance sheet.



**CHARLES JILLINGS**  
Investment Manager

EM in the year to 31 March 2019 were mixed with most EM indices in negative territory. Notable exceptions were Brazil, up 11.8% and India up 17.3%. The net result was the MSCI remaining largely unchanged. In contrast the EM currency markets were mostly positive against Sterling although the Brazilian Real declined 8.1% versus Sterling.

UEM was relatively active during the year, increasing the weight of its top twenty investments, particularly those in Latin America ("Latam"). Over the past two years UEM's Latam exposure has increased from 34.8% to 41.4%. Latam typically offers investments that trade on more attractive valuation metrics, including higher yields.

UEM ended the year largely ungeared, partially reflecting the ongoing concerns about the wider markets in which UEM invests and the potential challenges given the US-China trade negotiations.

UEM's portfolio is well positioned with a diverse portfolio and an ungeared balance sheet. The management team continues to travel extensively in order to seek out compelling investments that offer excellent returns. As such, it is notable that UEM's portfolio consists of a diverse range of companies that are often under-represented in the MSCI. Our focus remains on delivering positive long-term absolute returns. During the year 80.0% of our investments declared or paid a dividend.

### MIGRATION

Following completion of the redomicile of UEM, UEM Bermuda became a wholly-owned subsidiary of UEM. The ICM investment team started to transfer assets from UEM Bermuda to UEM which took most of the

## INVESTMENT MANAGERS' REPORT (continued)

IN THE PERIOD TO 31 MARCH 2019

BRAZIL REMAINS UEM'S LARGEST  
COUNTRY EXPOSURE

↑ 5.9%

CHINA REMAINS UEM'S SECOND  
LARGEST COUNTRY EXPOSURE

↑ 3.1%

PHILIPPINES IS THE THIRD LARGEST  
COUNTRY EXPOSURE

↑ 2.7%

Note: increases refer to the movement in the portfolio percentage of the relevant country

LATAM'S EXPOSURE AT

41.4%

ASIA'S EXPOSURE AT

41.4%

REST OF THE WORLD

17.2%

### SECTOR SPLIT OF INVESTMENTS



Electricity

20.0%



Gas

15.8%



Ports

15.0%



Road and rail

10.4%



Satellites and  
telecoms

9.1%



Airports

7.0%



Other

6.9%



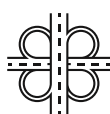
Water and  
Waste

6.8%



Renewables

5.9%



Infrastructure  
Investment Funds

3.1%

Source: ICM

UEM'S GROSS ASSETS (LESS LIABILITIES EXCLUDING LOANS)  
INCREASED marginally FROM £579.8M TO

**£581.9m**

IN THE PERIOD TO 31 MARCH 2019

period to complete, with the transfer of the Indian holdings completed in March this year. It has been a time-consuming exercise ensuring that the transfers complied with each jurisdiction's requirements, and it is pleasing to see that the transfer of assets was completed before the year end. This was a real team effort across all parties involved and I want to thank all those who made sure we achieved our objectives without incurring unnecessary costs.

UEM Bermuda was dissolved in March 2019 and work has commenced on the liquidation of UEM Mauritius.

#### ACCOUNTING TREATMENT

UEM acquired the underlying portfolio from UEM Bermuda in exchange for an intercompany loan for the amounts paid. The intercompany loan was cancelled during the liquidation of UEM Bermuda.

In line with International Financial Reporting Standards ("IFRS"), the report and accounts are presented on an unconsolidated basis. The migration of the portfolio to UEM has resulted in a number of distortions in the presentation of these results. For example, investment purchases are inflated as they include both the market purchases made by UEM as well as UEM's purchase of the underlying investments held by UEM Bermuda.

#### PORTFOLIO

UEM's gross assets (less liabilities excluding loans) increased marginally from £579.8m to £581.9m in the period to 31 March 2019, reflecting gains offset by dividends paid.

There have been six new entries into the top twenty holdings of the portfolio over the year: Companhia de Saneamento do Paraná, a Brazilian water and waste management company; China Everbright Greentech Limited, a Chinese environmental protection service provider; Cosan Logística S.A., a Brazilian



#### COMPANHIA DE SANEAMENTO DO PARANÁ ("SANEPAR")

Sanepar is a new entrant into the top twenty and UEM first invested in 2017. Sanepar is a Brazilian water and waste management company owned by Paraná state. In the year to 31 December 2018, EBITDA grew 18.5%.

company who invests in assets to operate logistic networks integrated with rail and ports; Metro Pacific Investments Corporation, a Philippine investment holding company; Power Grid Corporation of India Limited, an Indian electric utilities company; and CITIC Telecom International Holdings Limited, a Chinese telecommunication company.

The following investments were scaled back and are no longer top twenty holdings: Bolsas Y Mercados Argentinos S.A., the Argentine stock exchange; Malaysia Airports Holdings Berhad, the operator of airports in Malaysia and Turkey; Transelectria S.A., the Romanian electricity distribution company; Transportadora de Gas del Sur S.A., the Argentinian gas transportation company; and Pampa Energia S.A., the Argentinian electricity generation and transportation company. Enel Chile S.A., a Chilean energy generation and transmission company which was also in the top twenty has now exited the portfolio.



# INVESTMENT MANAGERS' REPORT (continued)



## METRO PACIFIC INVESTMENTS CORPORATION ("METRO PACIFIC")

Metro Pacific is a new entrant into the top twenty in which UEM first invested in 2011. Metro Pacific is a Philippine-based investment holding company. In the year to 31 December 2018, revenues grew 32.8%.

Investments in the portfolio (excluding portfolio transfers due to the redomicile of UEM Bermuda) decreased from £187.1m to £108.7m in the period ended 31 March 2019 and realisations decreased from £198.6m to £123.6m. This reflects a return to normal investment/realisation levels following last years' heightened investment activity as UEM pivoted towards Latam.

One outcome from this has been an increase in the concentration of the portfolio with the top twenty holdings reversing a four-year trend and climbing to 58.4% from 54.9% last year. This statistic is reflected in the portfolio progression and number of holdings in the bar chart on page 11 of this report and accounts. Changes to the portfolio's geographic allocation reflect new investments plus the relative market performance as outlined above.

## BANK DEBT

UEM's bank debt increased from nil to £7.8m in the period to 31 March 2019. UEM remained net cash positive for most of the period as it prefunded the transfer of assets from UEM Bermuda to UEM. Many markets required prefunding and that was certainly the case with India. Indian transfers settled in late March 2019, which resulted in the cash on hand. UEM's net cash reduced from £8.1m to £3.9m over the period to 31 March 2019. The Scotiabank facility is a three-

year unsecured £50.0m multicurrency revolving facility maturing in April 2021.

## REVENUE RETURN

Revenue income decreased to £21.4m, from £24.8m, a decline of 13.6%. This reflects a combination of fewer special dividends and a weaker Brazilian currency in the first half of the period, which reduced dividend amounts received by UEM in Sterling.

Management fees and other expenses were unchanged at £3.1m. Finance costs reduced to £0.1m from £0.2m on lower average borrowings. Taxation was lower at £0.8m from £1.4m.

Arising from the above, the profit for the period reduced to £17.4m from £19.9m and earnings per share were lower at 7.47p from 9.27p, a decline of 19.4%. Dividends per share of 7.20p were fully covered by earnings.

## CAPITAL RETURN

The portfolio gained £1.3m on the capital account during the period to 31 March 2019. In addition, there were £1.4m net gains on derivatives and foreign exchange. The total income gain on the capital account was £2.7m (2018: a gain of £15.6m).

Management and administration fees were higher at £2.7m (2018: £2.1m), an increase of 30.0% mainly as a result of higher average gross assets. Finance costs reduced to £0.2m from £0.5m as a result of lower average borrowings. The Company is no longer subject to Brazilian capital gains tax due to UEM's redomiciliation to the UK and taxation decreased to nil from £2.6m. The net effect of the above was a loss on the capital return of £0.3m (2018: a gain of £10.0m).

## Charles Jillings

ICM Investment Management Limited and ICM Limited

13 June 2019

## TWENTY LARGEST HOLDINGS



THE VALUE OF THE TEN  
LARGEST HOLDINGS  
REPRESENTS

**37.6%**

(2018: 32.3%) OF  
TOTAL INVESTMENTS

THE VALUE OF THE  
TWENTY LARGEST  
HOLDINGS REPRESENTS

**58.4%**

(2018: 54.9%) OF  
TOTAL INVESTMENTS

BRAZIL IS UEM'S  
LARGEST COUNTRY  
EXPOSURE AT

**29.0%**

(2018: 23.1%) OF  
TOTAL INVESTMENTS

THE TOTAL NUMBER  
OF COMPANIES  
INCLUDED IN THE  
PORTFOLIO IS

**92**

(2018: 87)

The value of convertible securities represents 0.1% (2018: 0.1%) of the portfolio. The value of fixed income securities represents 0.0% (2018: 1.3%) of the portfolio.



## TWENTY LARGEST HOLDINGS (continued)

1



International Container Terminal Services, Inc.  
EXCELLENCE UNCONTAINED

International Container Terminal Services, Inc. is a global port management company, in the business of acquiring, developing, managing and operating container ports and terminals worldwide.

Country	Philippines
Sector	Ports
Fair Value £'000s	35,661
% of total investments	6.3%

2



Companhia de Gas de Sao Paulo is Brazil's largest gas distributor operating the c.14,000km gas pipeline network in Sao Paulo state.

Country	Brazil
Sector	Gas
Fair Value £'000s	24,930
% of total investments	4.4%

3



Alupar Investimento S.A. is a holding company for energy assets focused in the electricity transmission and generation sectors in Brazil, Peru and Colombia. It has concession rights to 29 transmission assets totaling 7,736km of electricity lines in Brazil, of which 4,750km are operational.

Country	Brazil
Sector	Electricity
Fair Value £'000s	22,980
% of total investments	4.0%

4



Ocean Wilsons Holdings Limited is a Bermuda based investment company and through its subsidiary operates as a maritime services company in Brazil. It is listed on the Bermuda Stock Exchange and the London Stock Exchange. It has two principal subsidiaries: Wilson Sons and Ocean Wilsons Investment Limited.

Country	Brazil
Sector	Ports
Fair Value £'000s	22,393
% of total investments	3.9%

5



China Resources Gas Group Limited owns and operates natural gas infrastructure focused on downstream city gas distribution and natural gas filling stations in China. It is a subsidiary of SOE China Resources and has one of the largest client bases in the country.

Country	China
Sector	Gas
Fair Value £'000s	21,204
% of total investments	3.7%

6



Energisa S.A. is one of the largest electricity distribution companies in Brazil, operating thirteen concession areas in nine states across the country. It serves 6.7m customers.

Country	Brazil
Sector	Electricity
Fair Value £'000s	20,724
% of total investments	3.6%

7



Rumo S.A. offers logistics services for rail transportation, port elevation and warehousing. Rumo's main area of activity extends over the states of Mato Grosso, Sao Paulo and the states of southern Brazil, where four of the country's most active ports are located and through which most grain production in Brazil is exported.

Country	Brazil
Sector	Road and Rail
Fair Value £'000s	17,986
% of total investments	3.2%



8



**Engie Energia Chile S.A.** is the main electricity generator in the north of Chile and the fourth in the country by installed capacity. It generates electricity, and engages in the generation, transmission, supply and sale of electric power.

Country	Chile
Sector	Electricity
Fair Value £'000s	16,732
% of total investments	2.9%

9



**Yuexiu Transport Infrastructure Limited** is engaged in the investment, operation and management of expressways and bridges in the Guangdong Province and other high growth provinces in China. It currently has 12 operating expressways and bridge projects within its portfolio, with a total attributable toll length of 358km.

Country	China
Sector	Road and Rail
Fair Value £'000s	16,028
% of total investments	2.8%

10



**Companhia de Saneamento do Paraná** is a Brazilian water and waste management company owned by Paraná state. It provides water and sewage services to residential, commercial and industrial users in 345 cities and another 293 smaller areas in Paraná and on the city of Porto União, Santa Catarina state.

Country	Brazil
Sector	Water and waste
Fair Value £'000s	15,506
% of total investments	2.7%

11



**China Everbright Greentech Limited** is an environmental protection service provider in China, focusing on biomass integrated utilisation, hazardous waste treatment, environmental remediation, solar energy and wind power.

Country	China
Sector	Water and waste
Fair Value £'000s	14,308
% of total investments	2.5%

12



**Cosan Logística S.A.** is listed in Brazil and is 72.8% owned by Cosan Limited. Its purpose is to manage directly or indirectly corporate interests in companies in the infrastructure sector, such as: logistics, cargo transportation, and port operations of distribution terminals. Cosan Logística currently owns 28.5% of Rumo.

Country	Brazil
Sector	Road and Rail
Fair Value £'000s	14,038
% of total investments	2.5%

13



**APT Satellite Holdings Limited** is a satellite operator covering regions in Asia, Europe, Africa and Australia which contain approximately 75% of the global population. The company provides satellite transponder leasing, broadcast, teleport and network, as well as data centre services to broadcasters and telecommunication customers.

Country	Hong Kong
Sector	Satellites and Telecoms
Fair Value £'000s	13,789
% of total investments	2.4%

14



**Shanghai International Airport Co Ltd** operates Pudong International Airport in Shanghai, one of China's two major international gateways. It is primarily engaged in the provision of airport services and the operation and management of airports.

Country	China
Sector	Airports
Fair Value £'000s	13,674
% of total investments	2.4%

## TWENTY LARGEST HOLDINGS (continued)

15



METRO  
PACIFIC  
INVESTMENTS

Metro Pacific Investments Corporation is a Philippine-based investment holding company. Through its subsidiaries, it provides water, sanitation, and sewerage services and also operates in real estate, and infrastructure projects.

Country	Philippines
Sector	Water and waste
Fair Value £'000s	11,191
% of total investments	2.0%

16



TRANSGAZ  
MAGISTRALA ENERGIE  
ROMANIA

Transgaz S.A. is a state-owned natural gas transmission company in Romania and controls the domestic gas transmission system. It carries out natural gas transmission research and design activities, as well as the transmission of natural gas to Russia, Bulgaria, Turkey and Greece.

Country	Romania
Sector	Gas
Fair Value £'000s	11,141
% of total investments	2.0%

17



POWER GRID CORPORATION OF INDIA LIMITED  
World Class, Integrated, Global Transmission Company  
(A Government of India Enterprise)

Power Grid Corporation of India Limited is an Indian state-owned electric utilities company headquartered in Gurugram, India. It transmits about 50% of the total power generated in India on its transmission network.

Country	India
Sector	Electricity
Fair Value £'000s	10,677
% of total investments	1.9%

18



CONPET  
TRANSPORT PETROLIER PRIN CONDUITE SI CF

Conpet S.A. provides specialised petroleum transport services through pipelines and by rail, securing the supply of the refineries with domestic and imported crude oil and derivatives. The pipeline system managed comprises pumping stations, loading – unloading ramps, railway tanks and tank farms.

Country	Romania
Sector	Oil transport
Fair Value £'000s	10,364
% of total investments	1.8%

19



enel

Enel Americas S.A. is one of the largest privately-owned integrated electricity companies in Latin America with generation, transmission and distribution assets in Argentina, Brazil, Colombia and Peru.

Country	Brazil
Sector	Electricity
Fair Value £'000s	10,198
% of total investments	1.8%

20



中信國際電訊  
CITIC TELECOM INTERNATIONAL

CITIC Telecom International Holdings Limited is a provider of a wide range of telecoms and ICT services to enterprises, with an emphasis on linking mainland China to the rest of the World via its hub in Hong Kong. It also controls CTM, the incumbent telecommunications operator in Macau.

Country	Hong Kong
Sector	Satellites and Telecoms
Fair Value £'000s	8,783
% of total investments	1.6%

The country shown in the top twenty is the location of the major part of the investee company's business.

## REVIEW OF THE TWENTY LARGEST HOLDINGS

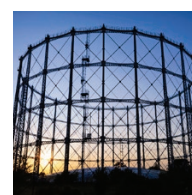
- INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. ("ICT")** had another strong year of performance with revenue growth of 12.2% during the financial year to 31 December 2018, driven by continued growth in total container volumes handled, which was up by 6.4% and yield per container box improving by 4.7% to USD 142.00. EBITDA growth was marginally lower at 11.1% as ICT continues to ramp up volumes of new container terminals such as Victoria International Container Terminal in Melbourne, Australia and terminals in Papua New Guinea. As volumes improve within these terminals, operational leverage should improve and its EBITDA margin of 46.3% at year-end should once again edge upwards. ICT has committed that it is only interested in acquiring brownfield projects in the future, with all capex being for expansionary or maintenance purposes. ICT's diversified geographical revenue base has also meant that it has limited exposure to the US-China trade war. UEM's shareholding in ICT decreased by 1.2% during the period to 31 March 2019.



SHARE PRICE

↑ 30.7%

- COMPANHIA DE GAS DE SAO PAULO'S ("COMGAS")** financial year to 31 December 2018 reported 5.9% growth in gas volumes distributed, as a recovery was seen across all customer segments. Industrial demand, which accounts for almost 80% of volumes, was up 4.9%. Volume growth was complemented by a 17.4% hike in effective tariffs, which were increased to reflect higher gas procurement costs. As a result, group revenues grew 23.5%, though reported EBITDA fell 3.8% as tariff increases lagged behind the higher input costs. By adjusting for these costs, which will be reclaimed in future tariffs, normalised EBITDA grew 11.6%. Good progress is now being made on the 2019 regulatory review, with initial parameters looking encouraging for future prospects. In January, parent company Cosan announced a tender offer for the preference shares (in which UEM is invested) at BRL 82.00 per share, a 23.0% premium to the pre-announcement share price. In the twelve months to 31 March 2019 UEM increased its position in Comgas by 18.5%.



SHARE PRICE

↑ 39.9%

- ALUPAR INVESTIMENTO S.A. ("ALUPAR")** won substantial new transmission line concessions at highly attractive return rates in previous years and continues to show strong capital discipline by avoiding more recent competitive auctions with weaker returns. Alupar has been investing heavily in its nine new transmission projects, and it is encouraging to see that several of these are ahead of schedule, with its first new line, ETAP, commissioned nine months early. While existing concessions are undergoing planned mid-concession revenue cuts, Alupar's generation division continued to deliver a stable performance. In its financial year ended 31 December 2018, Alupar's figures were heavily influenced by the levels of construction under IFRS accounting, with reported revenues increasing by 22.4% and EBITDA up 10.7%. Regulatory accounts are more reflective of the underlying situation with revenues and EBITDA falling by 5.7% and 9.4% respectively. In the period to 31 March 2019, UEM reduced its position in Alupar by 1.6%.



SHARE PRICE

↑ 30.2%



## REVIEW OF THE TWENTY LARGEST HOLDINGS (continued)

- 4 OCEAN WILSONS HOLDINGS LIMITED ("OCEAN WILSONS")** had a tough financial year to 31 December 2018, as Wilson Sons saw strong competition within its towage business due to over-capacity. Tugboats, previously supplying services to the oil and gas industry, entered the harbour towage market resulting in towage manoeuvres being down 6.2%. The container terminal business remained stable with the number of container movements increasing marginally by 0.4%. In July 2018 Wilson Sons announced that it is undertaking a strategic review with potential divestment of the container terminal and logistic assets albeit a final decision has yet to be announced. The wholly owned investment portfolio of Ocean Wilsons Investment Limited saw its investment portfolio decrease by 5.8% to USD 258.9m with net returns falling 4.1%. Consolidated revenues were down 7.3%, with EBITDA down 12.2%. As at 31 March 2019, Ocean Wilsons' discount to NAV was 20.6%. In the period to 31 March 2019, UEM reduced its position in Ocean Wilsons by 9.8%.



SHARE PRICE

↑ 4.7%

- 5 CHINA RESOURCES GAS GROUP LIMITED ("CR GAS").** Over the past year connection fees have come under increased regulatory scrutiny, with initial proposals of a move towards returns-based regulation. Given CR Gas is still investing in early-stage concessions, we see this as having limited impact. CR Gas continued to deliver strong growth from its 248 gas distribution concession areas in mainland China. In its financial year to 31 December 2018, CR Gas reported that it grew its customer base by 13.0% to 34.8m connections and saw gas volume growth of 23.4% year-on-year. This growth reflects robust commercial and industrial demand, up by 28.7%, as well as a higher residential demand, up 15.8%. Effective gas tariffs increased 13.5% to reflect higher input costs, with some small expansion in dollar margin, while connection fees eased by 15.3%. As a consequence, group revenues were up 28.4%, while adjusted EBITDA growth accelerated to 14.8% and dividends per share were up 40.0%. In the period ended 31 March 2019 there was no change in UEM's shareholding in CR Gas.



SHARE PRICE

↑ 36.0%

- 6 ENERGISA S.A. ("ENERGISA")** has had an active year, with two of its largest concessions undergoing a rate review, and the acquisition of Eletroacre and Ceron in a government auction process held in August 2018. These two concession areas boosted Energisa's regulated asset base by almost 20.0% and its number of customer connections by 13.0%. In its financial year to 31 December 2018, Energisa reported electricity volume growth of 17.3%, with underlying growth at 3.1%. This propelled group revenue growth to 16.7%, which combined with good operating leverage resulted in underlying EBITDA increasing by 25.6%. Dividends per unit were reduced by almost 40.0% to preserve cash to fund the acquisitions, and management have requested an extraordinary tariff review for Ceron and Eletroacre in 2019 which should bolster financials. In the twelve months to 31 March 2019, UEM increased its position in Energisa by 22.9%.



SHARE PRICE

↑ 17.5%

7

**RUMO S.A. ("RUMO")** continues to perform well as the management team successfully execute the BRL 8.5bn capex plan and deliver on EBITDA expectations. During the year to 31 December 2018, revenues were up 10.7%, driven by volume growth of 13.4%. EBITDA was up 17.3% with EBITDA margin expanding to 49.1% from 46.4% in 2017 as operational efficiencies from investment into the rail network continue to flow through. Management have stated that over the next five years, they believe they can grow volumes at 10.0% CAGR and EBITDA by 14.0% CAGR indicating there is more to come. In March 2019, Rumo won the Norte-Sul railway concession for BRL 2.7bn which will connect into one of its current concession Malha Paulista, adding a further 1,500km to its portfolio of operating assets. UEM's shareholding during the period to 31 March 2019 remained unchanged.



SHARE PRICE

↑ 45.5%

8

**ENGIE ENERGIA CHILE S.A. ("EECL")** had several significant positive developments in the year to 31 March 2019. EECL started a new set of energy sales contracts at attractive price levels in the regulated market which almost doubled volumes in that segment. The TEN transmission line project has been in operation since November 2017 and the IEM coal-fired project started operating in test mode. For the financial year to 31 December 2018, EECL reported electricity sales volumes growth of 14.1% as the growth in regulated market contracts more than offset a 1.8% decline in unregulated market contracts. These latter contracts are typically with mining companies and EECL has been seeking to extend durations of these at lower prices, reflecting the influence of renewables on the market. Combined with effective tariffs up 3.2%, group revenues grew by 21.0% and EBITDA was up 36.2%, an excellent performance. Dividends per share more than doubled. UEM increased its shareholding in EECL by 38.2% in the twelve months to 31 March 2019.



SHARE PRICE

↑ 1.6%

9

**YUEXIU TRANSPORT INFRASTRUCTURE LIMITED'S ("YUEXIU")** revenues were up by 6.0% for the year ended 31 December 2018, largely due to the slowdown in average daily traffic which increased 3.6% over the period. GNSR, Yuexiu's largest road, contributing to 40.8% of revenues, witnessed average daily traffic growth of only 1.4% due to the impact of a near-by competing road commencing operations. However, stronger double-digit traffic growth can be seen from Yuexiu's toll road assets that are more centrally located within Hubei, Hunan and Henan provinces, driving the centrally located assets to now contribute 53.1% of revenues. EBITDA was up 4.4% with EBITDA margins decreasing by 0.8pp to 82.9%. Management continues to stipulate that it would like to double its road asset base over the coming years, by direct acquisition or by potential asset injection from its parent company. UEM's shareholding decreased by 23.1% during the year to 31 March 2019.



SHARE PRICE

↑ 5.8%

## REVIEW OF THE TWENTY LARGEST HOLDINGS (continued)

- 10 COMPANHIA DE SANEAMENTO DO PARANÁ (“SANEPAR”).** The election of a market-friendly governor in the state of Paraná in October 2018 improved investors’ sentiment towards the continuance of Sanepar’s tariff adjustments and the potential to accelerate these increases. In its financial year to 31 December 2018, Sanepar reported an increase in revenues of 7.6% driven by two adjustments in tariffs of 8.5% in June 2017 and 5.1% in May 2018. The number of connections increased by 1.6% for water and 4.9% for sewage, though the tariff increases were offset by lower volumes, which fell 6.4% and 3.8% in water and sewage respectively, explained by mild temperatures and a change in the minimum consumption tariff. EBITDA grew by 18.5% with an improvement of 360 bps in margins driven by a reduction in personnel expenses by 7.0% in real terms as a result of three voluntary dismissal programs. In the twelve months to 31 March 2019 UEM increased its position in Sanepar by 34.9%.



SHARE PRICE

↑ 25.0%

- 11 CHINA EVERBRIGHT GREENTECH LIMITED (“CE GREENTECH”).** In August, the Hong Kong listed parent company China Everbright International announced a HKD 10.0bn rights issue at a large discount, negatively surprising the market. This sentiment was reflected in CE Greentech shares, and recent months have seen management looking to restore credibility with the market. From an operational and financial perspective, CE Greentech has continued to deliver superb growth. In its financial year to 31 December 2018 electricity volumes sold from its biomass plants grew 83.5% and hazardous waste volumes treated was up 12.4%. CE Greentech’s smaller solar and wind division saw output growth of 15.5%. With tariffs in all business lines stable and hazardous waste treatment showing significant strength. CE Greentech reported revenues up by 52.8%, dividends per share were up by almost 40.0% and EBITDA growth of 42.9%. UEM took advantage of the negative sentiment to increase its shareholding in CE Greentech by 81.8% in the year to 31 March 2019.



SHARE PRICE

↓ 20.8%

- 12 COSAN LOGISTICA S.A. (“COSAN LOGISTICA”).** owns 28.5% of Rumo, also held within UEM’s portfolio. Cosan Logistica is listed in Brazil and is 72.4% owned by Cosan Ltd. Cosan Logistica acts as the holding company for Cosan Ltd and is an attractive way to own Rumo as it has historically traded at a discount to Rumo of 20.0% to 30.0%. Cosan Ltd management are currently looking to simplify the holding structure of Cosan Ltd by removing Cosan Logistica, and therefore removing the discount. During 2018, Cosan Ltd announced a share swap (no terms disclosed) whereby shareholders in Cosan Logistica will receive shares in Cosan Ltd however the transaction was cancelled. Management are continuing to look for and find a solution to simplify this structure, however, no deal has been announced yet. As at 31 March 2019, Cosan Logistica traded at a 16.9% discount to Rumo. UEM increased its holding in Cosan Logistica by 17.8% during the year to 31 March 2019.



SHARE PRICE

↑ 51.2%



- 13 APT SATELLITE HOLDINGS LIMITED ("APT")** had a volatile share price performance during the year, with significant weakness in the first half, and a recovery in the second half. Operationally, 2018 was a successful year for APT with two new satellites launched, replacing ageing infrastructure. The satellite market in Asia remains highly competitive but pleasingly, APT achieved modest growth with revenues up by 2.5%, EBITDA up 3.0% and underlying net income up 3.9%. Advances in satellite and terrestrially based communications technology creates uncertainty over the future direction and prospects for the industry in the next decade and this has negatively impacted valuation multiples for the sector. However, in the near term, cashflow generation remains robust and with modest capital expenditure and a net cash position, we expect stronger dividend growth in its 2019 financial year than the 14.3% increase seen in the 2018 financial year. UEM increased its holding by 0.1% during the year.



SHARE PRICE

↓ 2.8%

- 14 SHANGHAI INTERNATIONAL AIRPORT CO LTD ("SHANGHAI AIRPORT")** reported yet another solid year of results. For its financial year to 31 December 2018, Shanghai Airport revenues increased by 15.3%, partly helped by a 5.7% increase in total passengers handled to 74.0m, with international passengers seeing a solid increase of 8.8% to 30.9m. Strong non-aeronautical revenues also helped to drive this growth, up by 23.2%, with retail growth up by 33.2%. Aeronautical revenue remained stable witnessing a 6.6% increase. EBIT over the period was up 21.2%, although margin remained flat due to the additional pre-opening costs associated with the new satellite terminal (due to open in 2019) which will increase operating capacity of the airport to 80.0m passengers (currently 70.0m). As with all airports in China, flight slots remain the challenge, however Shanghai Airport appears to be managing this well. UEM decreased its holding in Shanghai Airport by 27.9% during the year to 31 March 2019.



SHARE PRICE

↑ 19.3%

- 15 METRO PACIFIC INVESTMENTS CORPORATION ("METRO PACIFIC").** Notwithstanding robust operating and financial metrics from its different business lines, performance continues to be hampered by ongoing disputes over tariffs with the Philippine government. Of note, Metro Pacific's water division Maynilad is awaiting implementation of its overdue tariff increase, even though the Singapore High Court of Appeal dismissed the Philippine government's case contesting this. At the same time, the toll road division MPTC is still awaiting approval for the periodic tariff increase dating back to 2016 and the timeframe for the fifth regulatory cycle for power subsidiary Meralco remains unclear. Against this backdrop Metro Pacific delivered good results for its financial year ended 31 December 2018, with highlights including 7.4% volume and 22.1% EBITDA growth at Metro Pacific Tollways. At a consolidated level Metro Pacific reported group revenue growth of 32.8% with core EBITDA up 15.6%. In the twelve months to 31 March 2019 UEM increased its position in Metro Pacific by 64.4%.



SHARE PRICE

↓ 8.0%

## REVIEW OF THE TWENTY LARGEST HOLDINGS (continued)

- 16 TRANSGAZ S.A.'S ("TRANSGAZ")** operations are in line with expectations, whilst the Romanian market was negatively impacted by the surprise government announcement of banking and energy taxes. During the year under review, Transgaz started construction on a new pipeline connecting Bulgaria and Hungary, with Phase I on track to be commissioned by end-2019. This is set to increase Transgaz's regulated asset base and boost future returns. After initial proposals would have seen a material cut in its allowed rate of return, in March 2019 the regulator proposed a more benign cut to 6.9% (from 7.7%). In its financial year to 31 December 2018, gas volumes transmitted were flat, while effective tariffs fell 12.6% as the regulator continues to claw back excess profits made in previous regulatory periods. Group revenues and EBITDA fell 6.3% and 10.5% respectively. In the year to 31 March 2019 UEM reduced its position in Transgaz by 26.5%.



SHARE PRICE

↓ 17.9%

- 17 POWER GRID CORPORATION OF INDIA LIMITED ("POWERGRID")** had a period of uncertainty during the twelve months to 31 March 2019, over the forthcoming 2019-24 regulatory cycle. For much of the year, market expectations were that the allowed regulatory return would be cut from its present levels of 15.5%, putting pressure on the stock, although in December the regulator CERC issued draft proposals which sought to maintain returns at these levels. In a relatively benign inflation environment this is a positive outcome. India continues to have a significant need for additional grid connectivity and capacity, in part driven by the rapid rollout of renewable assets in the country. Powergrid remains in a strong position to capitalise on these opportunities. In its financial half year results to 30 September 2018 Powergrid reported revenue growth of 13.7% due to substantial investment in new transmission lines and EBITDA increased 9.7%. Powergrid increased its interim dividend payment by over 100.0%. In the year to 31 March 2019 UEM increased its position in Powergrid by 4.8%.



SHARE PRICE

↑ 2.6%

- 18 CONPET S.A. ("CONPET")** had a disappointing share price performance in the year to 31 March 2019. This reflects both company-specific issues as well as the wider impact on the Romanian market from the surprise announcement of banking and energy taxes by the government. In early 2018 the previous board of directors approved excessive wage increases ahead of a re-election vote. This disappointing move led to a decline in profitability and the Investment Managers have been active in the subsequent appointment of proper independent representation on the Conpet board. From an operational standpoint, Conpet continued to deliver a steady performance, with 0.5% growth in transported oil volumes in its financial year to 31 December 2018. With effective tariffs growing by 1.7%, group revenues posted 1.9% growth. Unfortunately, the aforementioned wage increase more than offset this growth, with EBITDA declining 14.7%. The additional dividend announced in 2017 was not repeated, notwithstanding continued strong cash reserves. In the year to 31 March 2019 UEM's position in Conpet was unchanged.



SHARE PRICE

↓ 28.8%

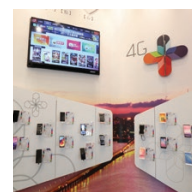
- 
- 19 **ENEL AMERICAS S.A. ("ENEL AMERICAS")** announced a USD 3.5bn rights issue in February 2019. This capital raise follows the acquisition of Eletropaulo in 2018, a USD 2.2bn deal which was funded by a loan with parent company Enel. In addition to refinancing this loan, funds raised will be used to help plug the pension deficit at Eletropaulo and give Enel Americas flexibility to pursue additional M&A activity. The Investment Managers feel that the scale of the raise is excessive in the context of other funding possibilities. In its financial year ended 31 December 2018, Enel Americas reported strong volume growth across its portfolio of Latam assets driven by acquisitions, with generation and distribution volumes up 16.6% and 35.8% respectively. With effective tariffs in USD terms falling by 3.9% and 4.1% for the respective divisions, Enel Americas reported group revenues up 25.1% and EBITDA growth of 14.6%. In the year to 31 March 2019 UEM increased its shareholding in Enel Americas by 4.2%.



SHARE PRICE

↓ 11.3%

- 
- 20 **CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED ("CITIC")** is a new entrant into the top twenty. CITIC's telecom services revenues advanced by 12.6% in 2018, driven by growing demand for data driven services, including fibre broadband and 4G services in Macau, VPN and Cloud solutions for enterprises in mainland China, data centre services in Hong Kong and strong growth in A2P SMS volumes. CITIC is optimistic that demand for these services will continue to trend upwards. Total revenues for the group, including low margin handset sales, advanced by 54.5% in 2018. CITIC's EBITDA grew by 9.2% and underlying net income rose by 15.9% in 2018. CITIC increased its dividend to HKD 0.18, a 12.5% increase on 2017 and representing a 5.1% yield as at 31 March 2019. UEM has held CITIC since 2017 and increased its shareholding during the year to 31 March 2019 by 86.1%.



SHARE PRICE

↑ 55.3%



## INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

International Container Terminal Services, Inc. was established in 1987 in Manila and has expanded to operate over 30 terminal facilities in 19 countries. UEM first invested in 2007.

IN THE YEAR TO 31 DECEMBER 2018,  
REVENUES INCREASED

# 12.2%

AND EBITDA GROWTH OF 11.1%







#### COMPANHIA DE GAS DE SAO PAULO

Companhia de Gas de Sao Paulo is Brazil's largest gas distributor operating the c.14,000km gas pipeline network in Sao Paulo state, founded in 1872. UEM first invested in 2016.

IN THE YEAR TO 31 DECEMBER 2018,  
GROUP REVENUES INCREASED

## 23.5%

AND ADJUSTED EBITDA GROWTH OF 11.6%



#### ALUPAR INVESTIMENTO S.A

Alupar Investimento S.A. is a Brazilian holding company for energy assets focused in power generation and transmission. It has the concession rights to 29 transmission systems, totalling 7,736km of grid network. UEM first invested at IPO in 2013.

IN THE YEAR TO 31 DECEMBER 2018,  
REVENUES INCREASED

## 22.4%

AND EBITDA GROWTH OF 10.7%



# STRATEGIC REPORT



## PRINCIPAL ACTIVITY

UEM carries on business as an investment trust and its principal activity is portfolio investment.

## INVESTMENT OBJECTIVE

UEM's objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

## STRATEGY AND BUSINESS MODEL

UEM invests in accordance with the objective given above. The Board is collectively responsible to shareholders for the long-term success of the Company.

Since the Company has no employees it outsources its activities to third party service providers, including the appointment of external investment managers to deliver investment performance. The Board oversees and monitors the activities of the service providers with the Board setting investment policy and risk guidelines, together with investment limits.

ICMIM, an English incorporated company authorised and regulated by the Financial Conduct Authority ("FCA") as an alternative investment fund manager ("AIFM") pursuant to the AIFM Regulations, is the Company's AIFM and joint portfolio manager alongside ICM. The investment team responsible for the management of the portfolio is headed by Charles Jillings.



ICMIM and ICM, operating under guidelines determined by the Board, have direct responsibility for the decisions relating to the day to day running of the Company and are accountable to the Board for the investment, financial and operating performance of the Company. Other service providers include JPMorgan Chase Bank N.A. – London Branch which provides administration and custodial services, JP Morgan Europe Limited which acts as the Company's Depositary under the AIFM Directive and Computershare Investor Services which acts as registrar. ICMIM has also been appointed Company Secretary.

## INVESTMENT POLICY

UEM's investment policy is flexible and its investments include (but are not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and any new infrastructure or utilities which may arise mainly in emerging markets. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utility and related sectors.

The Company focuses on the under-developed and developing markets of Asia, Latin America, Emerging Europe and Africa but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in emerging market countries where the Directors believe that there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities.

The Company may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options, warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and statement of financial position from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.

## INVESTMENT RESTRICTIONS

The Board has prescribed the following limits on the investment policy, all of which are at the time of investment unless otherwise stated:

- Investments in unquoted and untraded investments in aggregate must not exceed 10.0% of gross assets at the time of investment. This restriction does not apply to the Company's holding of shares linked to a segregated account of Global Equity Risk Protection Limited ("GERP"), an unquoted Bermuda segregated accounts company;
- No single investment (including any investment by the Company in GERP) may exceed 20.0% of gross assets at the time of investment;
- Investments other than in infrastructure, utility and related companies (including the Company's investment in GERP) must not exceed 20.0% of gross assets at the time of investment;
- Investments in a single country must not exceed 50.0% of gross assets at the time of investment (and for these purposes investments will be considered to have been made in the countries where the relevant investee company reports that it carries out its business operations, as determined on a look-through basis);
- Not more than 10.0% in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List (except to the extent that those investment funds have stated investment policies to invest no more than 15.0% of their total assets in other investment companies which are listed on the Official List);
- Regardless of the investment policy of other closed-ended investment funds listed on the Official List and which are invested in by the Company, the Company shall not invest in such funds more than 15.0% in aggregate of the value of the total assets of the Company at the time the investment is made; and
- Equity markets derivative transactions are carried out by GERP on behalf of the Company to enable it to make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investment risks by having the ability to establish an overall net short position in index

## STRATEGIC REPORT (continued)

options, contracts for difference, swaps and equity options. GERP may not hold more than 50.0% of the value of UEM's segregated portfolio in index options and GERP may not hold more than 100.0% of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

The above limits only apply at the time the investment is made and the Company will not be required to realise any assets or rebalance the portfolio where any limit is exceeded as a result of any increases or decreases in the valuation of the particular assets which occurs after the investment is made, but no further relevant assets may be acquired or loans made by the Company until the relevant limit can again be complied with.

### **BORROWING AND GEARING POLICY**

UEM may use bank borrowings for short-term liquidity purposes. In addition, the Board may gear the Company by borrowing on a longer-term basis for investment purposes.

The Board has set a current limit on gearing (being total borrowings measured against gross assets and excluding any portfolio gearing provided through the Company's investment in GERP) not exceeding 25% at the time of drawdown. Borrowings may be drawn down in Sterling, US Dollars or any currency for which there are corresponding assets within the portfolio (at the time of drawdown the value drawn must not exceed the value of the relevant assets in the portfolio).

On 4 April 2018, the Company entered into a three year unsecured £50.0m multicurrency revolving facility agreement with Scotiabank Europe PLC ("Scotiabank") maturing on 3 April 2021. Further details on the Company's loan facility are set out in note 13 to the accounts.

### **INVESTMENT APPROACH**

UEM seeks to identify and invest in undervalued investments predominantly in the infrastructure and utility sectors, mainly in emerging markets. The Investment Managers aim to identify securities where underlying value and growth prospects are not reflected in the market price. This is often as a result of strong growth drivers, but can include changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position. Most investee companies are asset backed, have good cash flows and offer good dividend yields. UEM generally seeks to invest in companies with strong management who have the potential to grow their business and who have an appreciation of, and ability to manage, risk.

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach through encouraging a review of capital structures and business efficiencies. The Investment Managers maintain regular contact with the investee companies and UEM is often among the largest international shareholders.

The Company aims to maximise value for shareholders by holding a relatively concentrated portfolio of securities and investing through instruments appropriate to the particular situation. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments. ICMIM, as the Company's AIFM, controls stock-specific, sector and geographic risk by continuously monitoring the exposures in the portfolio. In depth continual analysis of the fundamentals of investee companies allows ICMIM to assess the financial risks associated with any particular stock. The portfolio is typically made up of 60 to 90 stocks.

### **RESULTS AND DIVIDENDS**

Details of the Company's performance are set out in the Investment Managers' Report. The results for the period ending 31 March 2019 are set out in the attached accounts. The dividends in respect of the period, which total 7.20p, have been declared by way of four interim dividends.

### **DIVIDEND POLICY**

The Board's objective is to maintain or increase the total annual dividend. Dividends are expected to be paid quarterly each year in September, December, March and June. In determining dividend payments the Board will take account of factors such as income forecasts, retained revenue reserves and

the Company's dividend payment record. However, in order to maintain its approval as an investment trust, the Company will distribute at least 85.0% of its distributable income earned in each financial year by way of dividends. The Board also has the flexibility to pay dividends from capital reserves.

### KEY PERFORMANCE INDICATORS

Delivery of shareholder value is achieved through the increase in capital value of the Company's shares and by its income return. The Board reviews performance by reference to a number of Key Performance Indicators ("KPIs") that include the following:

- NAV total return relative to the MSCI Emerging Markets Index Total Return (GBP adjusted)
- Share price
- Discount to NAV
- Revenue earnings
- Ongoing charges figure

While some elements of performance against KPIs are beyond management control, they provide measures of the Company's absolute and relative performance and are therefore monitored by the Board on a regular basis. These KPIs fall within the definition of Alternative Performance Measures ("APMs") under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out on page 90.

Period ended 31 March	2019	2018*
NAV total return (%)	3.5	6.6
MSCI Emerging Markets Index Total Return (Sterling adjusted) (%)	0.0	11.6
Share price (pence)	217.90	212.00
Discount to NAV (%)	(12.8)	(14.2)
Percentage of issued shares bought back during the year (based on opening share capital) (%)	2.00	4.65
Revenue earnings per share (diluted) (pence)	7.47	9.04
Ongoing charges figure – excluding performance fee (%)	1.0	1.0

\* Figures for 2018 relate to UEM Bermuda and are shown for comparative purposes

A graph showing the NAV total return performance compared to the MSCI Emerging Markets Index (GBP adjusted), can be found on page 10. The ten year record on page 91 shows historic data for the Company and its predecessor, UEM Bermuda.

**Discount to NAV:** The Board monitors the premium/discount at which the Company's shares trade in relation to the assets. During the year the Company's shares traded at a discount relative to NAV in a range of 8.6% to 16.9% and an average discount of 12.9%. The Board and Investment Managers closely monitor both movements in the Company's share price and significant dealings in the shares.

The Board believes that the best way of addressing the discount over the long term is to continue to generate good performance and to create natural demand for the Company's shares in the secondary market through increasing awareness of the Company, its philosophy and management style. The Board has maintained the expenditure on marketing the Company. The Board continues to seek authority from shareholders to buyback and issue shares which can assist in the management of the discount and/or any premium at which the shares trade to their NAV. A total of 4,696,163 shares were bought back and cancelled during the year, representing 2.0% of the Company's opening issued share capital.

**Earnings and dividends per share:** As referred to in "Dividend Policy" above, the Board's objective is to maintain or increase the total annual dividend. The Board and the Investment Managers attach great importance to maintaining dividends per share since dividends form a key component of the total return to shareholders.

The Board declared four quarterly dividends of 1.80p per share in respect of the period ended 31 March 2019. The fourth quarterly dividend will be paid on 28 June 2019 to shareholders on the register on 7 June 2019. The total dividend for the period was 7.20p per share (2018: UEM Bermuda 7.00p per share).

**Ongoing charges:** These are calculated in accordance with the industry measure of costs as a percentage of NAV. The expenses of the Company are reviewed at every Board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure, with no performance fee payable for the period ended 31 March 2019, was 1.0% (2018: UEM Bermuda 1.0%). This ratio is sensitive to the size of the Company, as well as the level of costs.



# STRATEGIC REPORT

## (continued)

### PRINCIPAL RISKS AND RISK MITIGATION

During the period ended 31 March 2019, ICMIM was the Company's AIFM and had sole responsibility for risk management subject to the overall policies, supervision, review and control of the Board.

The Board considers carefully the Company's principal risks and seeks to mitigate these risks through regular review by the Audit Committee of the Company's risk register which identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation. Where produced, the Audit Committee also reviews summaries of the Service Organisation Control (SOC1) reports from the Company's service providers.

The Board applies the principles and recommendations of the UK Corporate Governance Code and the AIC Code of Corporate Governance as described on page 48. The Company's internal controls are described in more detail on page 49. As required by the AIC Code of Corporate Governance, the Board has undertaken a robust assessment of the principal risks facing the Company. Most of the Company's principal risks are market-related and similar to those of other investment companies which invest primarily in listed investments.

UEM's business model and strategy are not time limited and, as an investor in emerging markets, are unlikely to be adversely impacted as a direct result of Brexit. However, since UEM's reporting currency is Sterling, any rise or fall in Sterling will lead, respectively, to a fall or rise in the Company's reported net asset value.

The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 28 to the accounts.

## KEY RISK FACTORS

<b>INVESTMENT RISK:</b>	<b>The risk that the investment strategy does not achieve long-term positive total returns for the Company's shareholders</b>	<p>The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Managers. These guidelines include sector and market exposure limits.</p> <p>The investment process employed by the Investment Managers combines assessment of economic and market conditions in the relevant countries with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound statement of financial positions, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. The political risks associated with investing in these countries are also assessed. The Investment Managers try to reduce risk by ensuring that the Company's portfolio is always appropriately diversified. Overall, the investment process aims to achieve absolute returns through an active fund management approach.</p> <p>The Company's results are reported in Sterling, whilst the majority of its assets are priced in foreign currencies. The impact of adverse movements in exchange rates can significantly affect the returns in Sterling of both capital and income. Such factors are out of the control of the Board and the Investment Managers and may give rise to distortions in the reported returns to shareholders. It is difficult and expensive to hedge emerging markets' currencies.</p> <p>In addition, the shares of the Company may trade at a discount to their NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board generally buys back shares for cancellation if they are trading at a discount in excess of 10% and the Investment Managers agree that it is a good investment decision.</p> <p>The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one having been held in November 2018.</p> <p>A more detailed review of economic and market conditions is included in the Investment Managers' Report.</p> <p>There is no guarantee that the Company's strategy and business model will be successful in achieving its investment objective. The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested. Past performance of the Company is not necessarily indicative of future performance.</p>	<b><i>No material change in overall risk in the period.*</i></b>
<b>GEARING:</b>	<b>The risk that the use of gearing may adversely impact on the Company's performance</b>	<p>Gearing levels may change from time to time in accordance with the Board and Investment Managers' assessment of risk and reward. Whilst the use of borrowings should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 31 March 2019, UEM had a net cash position and therefore no gearing.</p>	<b><i>No material change in overall risk in the period.*</i></b>

\* comparison with UEM Bermuda

## STRATEGIC REPORT (continued)

<b>BANKING:</b>	<b>A breach of the Company's loan covenants might lead to funding being summarily withdrawn</b>	ICMIM monitors compliance with the banking covenants when each drawdown is made and at the end of each month. The Board reviews compliance with the banking covenants at each Board meeting.	<b>No material change in overall risk in the period.*</b>
<b>KEY STAFF:</b>	<b>Loss by the Investment Managers of key staff could affect investment returns</b>	The quality of the investment management team is a crucial factor in delivering good performance. There are training and development programs in place for employees and the remuneration packages have been developed in order to retain key staff.  Any material changes to the management team are considered by the Board at its next meeting; the Board discusses succession planning with the Investment Managers at regular intervals.	<b>No material change in overall risk in the period.*</b>
<b>RELIANCE ON THE INVESTMENT MANAGERS AND OTHER SERVICE PROVIDERS:</b>	<b>Inadequate controls by the Investment Managers or Administrator or third party service providers could lead to misappropriation of assets</b>	Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 89. The Audit Committee monitors the performance of the service providers.  All listed and most unlisted investments are held in custody for the Company by JPMorgan Chase Bank N.A. – London Branch with a small number of unlisted investments held in custody by Waverton Investment Management Limited ("Waverton"). JP Morgan Europe Limited, the Company's depositary services provider, also monitors the movement of cash and assets across the Company's accounts. The Audit Committee reviews the JP Morgan SOC1 reports, which are reported on by Independent Service Auditors, in relation to its administration, custodial and information technology services.  The Board reviews the overall performance of the Investment Managers and all the other service providers on a regular basis. The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.	<b>Although there has been no change in overall risk in the period,* the possibility of cybercrime continues to be a concern. The Company's assets are considered to be relatively secure, so the risks are the inability to transact investment decisions for a period of time and reputational risk.</b>

\* comparison with UEM Bermuda

### VIABILITY STATEMENT

The Board makes an assessment of the longer-term prospects of the Company beyond the timeframe envisaged under the going concern basis of accounting, having regard to the Company's current position and the principal risks it faces. The Company is a long-term investment vehicle and the Board believes that it is appropriate to assess the Company's viability over a long-term horizon. For the purposes of assessing the Company's prospects in accordance with Code Provision C.2.2 of the UK Corporate Governance Code, the Board considers that assessing the Company's prospects over a period of five years is appropriate given the nature of the Company and appropriately reflects the long-term strategy of the Company.

In its assessment of the viability of the Company, the Board has considered each of the Company's principal risks and uncertainties detailed above, as well as the impact of a significant fall in the emerging market equity markets on the value of the Company's investment portfolio. All of the key operations required by the Company are outsourced to third party providers and alternative providers could be engaged at relatively short notice if necessary. The Directors have also considered the Company's income and expenditure projections and the fact that the majority of the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.



Based on the Company's processes for monitoring operating costs, share price discount, the Investment Managers' compliance with the investment objective and policy, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

## **OUTLOOK**

The Board's main focus is on the achievement of the Company's objective of delivering a long-term total return and the future of the Company is dependent upon the success of its investment strategy. The outlook for the Company is discussed in the Chairman's Statement and the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report.

## **MODERN SLAVERY ACT**

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

## **GENDER DIVERSITY**

The Board consists of four male directors and one female director. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company. The Company's policy on diversity is detailed in the Corporate Governance Statement on page 50.

## **GREENHOUSE GAS EMISSIONS**

All the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations.

## **BRIBERY ACT**

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Investment Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

## **CRIMINAL FINANCE ACT**

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

## **EMPLOYEE, SOCIAL, ENVIRONMENTAL, ETHICAL AND HUMAN RIGHTS POLICY**

The Company is managed by ICMIM and ICM, has no employees and all its directors are non-executive. There are, therefore, no disclosures to be made in respect of employees. The Board notes the Investment Managers' policy statement in respect of Social, Environmental and Governance issues, as outlined on page 44.

This Strategic Report was approved by the Board of Directors on 13 June 2019.

By order of the Board  
**ICM Investment Management Limited**  
Company Secretary

13 June 2019

## INVESTMENT MANAGERS AND TEAM

ICMIM, a company authorised and regulated by the FCA, was the Company's AIFM during the period ended 31 March 2019 with sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board and is joint portfolio manager of the Company, alongside ICM.

The Investment Managers are focused on finding investments at valuations that do not reflect their true long-term value. Their investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. The Investment Managers are long term investors and see markets as a place to exchange assets.

ICM MANAGES OVER

# £14.0bn

IN FUNDS, DIRECTLY AND INDIRECTLY, IN A RANGE OF MANDATES. ICM HAS OVER 60 STAFF BASED IN OFFICES IN BERMUDA, CAPE TOWN, DUBLIN, LONDON, SINGAPORE, SYDNEY AND WELLINGTON.

The investment teams are led by Charles Jillings and Duncan Saville.



### CHARLES JILLINGS

Charles Jillings, a director of ICM and chief executive of ICMIM, is responsible for the day-to-day running of UEM and the investment portfolio. He qualified as a chartered accountant and has extensive experience in corporate finance and asset management. He is an experienced director having previously been a non-executive director in the water, waste and financial services sectors. His current portfolio of directorships include Somers Limited, Waverton Investment Management Limited, Allectus Capital Limited and Global Equity Risk Protection Limited.



### DUNCAN SAVILLE

Duncan Saville, a director of ICM, is a chartered accountant with experience in corporate finance and asset management. He was formerly a non-executive director of Utilico Investment Trust plc and is an experienced non-executive director having been a director of a number of utility, financial services, resources and technology companies. He is currently a non-executive director of Resimac Group Limited and West Hamilton Holdings Limited.

#### SENIOR CORE TEAM ASSISTING ON UEM INCLUDE:



**Jacqueline Broers**, who has been involved in the running of UEM since September 2010. Prior to joining the investment team, Mrs Broers worked in the corporate finance team at Lehman Brothers and Nomura. Mrs Broers is focused on the transport sector worldwide with particular emphasis on emerging markets. Mrs Broers is a qualified chartered accountant.



**Jonathan Grocock**, who has been involved in the running of UEM since February 2011. Mr Grocock is focused on the utilities sector worldwide with particular emphasis on emerging markets. Prior to joining the investment team Mr Grocock had nine years of experience in sell side equity research, covering telecoms stocks at ABN AMRO, Opel Securities and Investec. Mr Grocock qualified as a CFA charterholder in 2005.



**Mark Lebbell**, who has been involved in the running of UEM since its inception and before that was involved with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is focused on the communications sector worldwide with particular emphasis on emerging markets. Mr Lebbell is an associate member of the Institute of Engineering and Technology.

#### COMPANY SECRETARY – ICM INVESTMENT MANAGEMENT LIMITED



**Alastair Moreton**, a chartered accountant, joined the team in 2017 to provide company secretarial services to UEM and UIL Limited. He has over thirty years' experience in corporate finance with Samuel Montagu, HSBC, Arbuthnot Securities and, prior to joining ICM, Stockdale Securities, where he was responsible for the company's closed end fund corporate clients.

The Investment Managers' approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value.

## DIRECTORS



### **JOHN RENNOCKS (CHAIRMAN)\***

John Rennocks (Chairman)\* has broad experience in conventional and renewable electricity generation and in biotechnology, support services and manufacturing. He previously served as deputy chairman and senior independent director of Inmarsat plc and as finance director of a number of public limited companies (including Smith and Nephew plc, PowerGen plc, British Steel plc and Corus Group plc) and as a non-executive chairman or director of several companies, including Foreign & Colonial Investment Trust plc and JP Morgan Overseas Investment Trust plc. He is currently chairman of Bluefield Solar Income Fund Limited and AFC Energy PLC. He is a Fellow of the Institute of Chartered Accountants of England and Wales.



### **GARTH MILNE (DEPUTY CHAIRMAN)\***

Garth Milne (Deputy Chairman)\* has been involved in the investment company sector for over 40 years both as an adviser and as a non-executive director. He is chairman of UEM's Remuneration Committee.



### **SUSAN HANSEN**

Susan Hansen is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking and is a director of Resimac Group Limited, a non-bank lending company listed on the Australian Securities Exchange, and is the principal of a financial training organisation in New Zealand and a director of Cognitive Education Limited, a registered charity in New Zealand. She is a member of the Institute of Chartered Accountants of Australia and New Zealand.



### **GARRY MADEIROS OBE\***

Garry Madeiros OBE\* was formerly president and chief executive officer of BELCO Holdings Limited (now named Ascendant Group Limited) and Bermuda Electric Light Company Limited. He is a chartered accountant, Chairman of UEM's Audit Committee and he has served on a number of corporate, education, community and Bermudian Government boards. He is a Justice of the Peace and a fellow of the Bermuda Institute of Chartered Accountants.



### **ANTHONY MUH\***

Anthony Muh\* is an investment professional with more than 30 years' experience in the investment management industry. He is a Partner and executive director of H.R.L. Morrison & Co, chairman of JIDA Capital Partners Limited, a China focused sustainable infrastructure investment management company and a director of a number of its subsidiary companies in China. He is past Chairman and a Fellow of the Hong Kong Securities Institute and a member of the Asia Advisory Board at Euromoney Institutional Investor Plc. Anthony is the current Vice Chairman and council member of the Asia Corporate Governance Association.

All Directors were appointed to the Board of the Company on 7 February 2018 and are members of the Remuneration Committee.

None of the Directors have shared directorships with other Directors.

\*Independent director and member of the Audit Committee and Management Engagement Committee



# DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the period ended 31 March 2019.

## STATUS OF THE COMPANY

UEM was incorporated on 7 December 2017. On 3 April 2018, as a result of the proposals to redomicile UEM Bermuda to the United Kingdom, the shareholders of UEM Bermuda exchanged all their shares in UEM Bermuda for shares in the Company on a one for one basis and UEM Bermuda became a wholly owned subsidiary of the Company. All the assets of UEM Bermuda were transferred to the Company and UEM Bermuda was dissolved on 7 March 2019.

UEM carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

UEM is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

UEM is a member of the Association of Investment Companies ("AIC") in the UK.

## THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to, the requirements of the AIFMD. The Company appointed ICMIM, an English incorporated company which is regulated by the FCA, as its AIFM, with sole responsibility for risk management and ICM and ICMIM jointly to provide portfolio management services.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document ("IDD"), which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Company's website at [www.uemtrust.co.uk](http://www.uemtrust.co.uk).

UEM also appointed JP Morgan Europe Limited ("JPME") as its depositary service provider. JPME's responsibilities include general oversight over the issue and cancellation of the Company's shares, the calculation of the NAV, cash monitoring and asset verification and record keeping. JPME receives an ad-valorem fee of 2.2bps for its services, subject to a minimum fee of £25,000 per annum, payable monthly in arrears.

## FUND MANAGEMENT ARRANGEMENTS

The aggregate fees payable by the Company to ICMIM and ICM under the Investment Management Agreement ("IMA") are 0.65% per annum of net assets, payable quarterly in arrears, with such fees apportioned between ICMIM and ICM as agreed by them. ICMIM and ICM may also become entitled to a performance-related fee. The IMA may be terminated on not less than six months' notice in writing and further details of the management and performance fees are disclosed in Note 4 to the accounts.

Under the IMA, ICMIM has been appointed as Company Secretary.

The Board continually reviews the policies and performance of the Investment Managers. The Board's philosophy and the Investment Managers' approach are that the portfolio should consist of shares thought attractive irrespective of their inclusion or weighting in any index. The portfolio's composition and performance are likely, therefore, to be very different, for example, from those of the MSCI Emerging Markets Index. Over the short term, there may be periods of sharp underperformance or outperformance compared with the index. Over the long term, the Board expects the combination of the Company's and Investment Managers' approach to result in a significant degree of outperformance compared with the index. The Board continues to believe that the appointment of ICMIM and ICM on the terms agreed is in the interests of shareholders as a whole.

## ADMINISTRATION

The provision of accounting and administration services has been outsourced to JPMorgan Chase Bank N.A. – London Branch (the "Administrator"). The Administrator provides financial and general administrative services to the Company for an annual fee based on the Company's month end NAV (5 bps on the first £100m NAV, 3bps on the next £150m

## DIRECTORS' REPORT (continued)

NAV, 2bps on the next £250m NAV and 1.5bps on the next £500m NAV). The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. In addition, ICMIM has appointed Waverton to provide certain support services (including middle office, market dealing and information technology support services). Waverton is entitled to receive an annual fee of 3bps of the Company's NAV and the Company reimburses ICMIM for its costs and expenses incurred in relation to this agreement.

Annually, the Management Engagement Committee also considers the ongoing administrative requirements of the Company and assesses the services provided.

### SAFE CUSTODY OF ASSETS

During the period ended 31 March 2019, all listed and most unlisted investments are held in custody for the Company by JPMorgan Chase Bank N.A. – London Branch (the "Custodian"). Operational matters with the Custodian are carried out on the Company's behalf by ICMIM and the Administrator in accordance with the IMA and the Administration Agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and the location of the securities held. A small number of unlisted investments are also held in custody by Waverton.

### DIVIDENDS

Dividends of 1.80p per share were paid on 27 September 2018, 21 December 2018, 29 March 2019 and a dividend of 1.80p per share was declared on 28 May 2019 and will be paid on 28 June 2019.

### ISA

UEM has conducted its investment policy so as to remain a qualifying investment trust under the Individual Savings Account (ISA) regulations. It is the intention of the Board to continue to satisfy these regulations.

### GOING CONCERN

The Board has reviewed the going concern basis of accounting for the Company. The Company's assets consist substantially of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions

that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the accounts.

### DIRECTORS

UEM has a Board of five non-executive directors who oversee and monitor the activities of the Investment Managers and other service providers and ensure that the Company's investment policy is adhered to. The Board is supported by an Audit Committee, a Management Engagement Committee and a Remuneration Committee, which deal with specific aspects of the Company's affairs. The Corporate Governance Statement, which is set out on pages 47 to 51, forms part of this Directors' Report.

The Directors have a range of business, financial and asset management skills, as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 40. All the Directors are independent other than Ms Hansen who is also a director of Resimac Group Limited, a company associated with the Investment Managers. As referred to in the Chairman's Statement, Mr Madeiros has notified the Company that he will not be standing for election at the next Annual General Meeting.

All appointments to the Board and re-elections of Directors are carried out in accordance with the Companies Act and the Company's Articles of Association. The Company's Articles of Association provide that all the Directors retire each year. The Board may also appoint Directors but any Director so appointed must stand for election by the shareholders at the next Annual General Meeting.

UEM maintains Directors' and officers' liability insurance which provides appropriate cover for any legal action brought against its Directors.

The nature of an investment company and the relationship between the Board and the Investment Managers are such that it is considered unnecessary to identify a senior independent director. Mr Garth Milne, the Deputy Chairman and the other Directors are available to shareholders if they have concerns which have not been resolved through the normal channels of contact with the Chairman or the Investment Managers, or for which such channels are inappropriate.

## DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report on page 52.

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. There are no agreements between the Company and its Directors concerning compensation for loss of office.

A Director must avoid a situation where he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Directors have declared any potential conflicts of interest to the Company, which are reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

## SHARE CAPITAL

As at 31 March 2019 the issued share capital of the Company and the total voting rights were 229,812,473 shares. As at the date of this report, the share capital of the Company and total voting rights were 229,562,473 shares. There are no restrictions on the transfer of securities in the Company and there are no special rights attached to any of the shares.

## SHARE ISSUES AND REPURCHASES

UEM has the authority to purchase shares in the market to be held in treasury or for cancellation and to issue new shares for cash. During the period ended 31 March 2019 the Company purchased 4,696,163 shares for cancellation. The current authority to repurchase shares was granted to Directors on 14 February 2018 and expires at the conclusion of the AGM in 2019. The Directors are proposing that their authority to buy back up to 14.99% of the Company's shares for cancellation or to be held in treasury and to issue new shares or sell shares from treasury be renewed at the forthcoming AGM.

## TENDER FACILITY

At the Directors' discretion, the Company can operate a tender facility subject to certain limitations. The tender facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's gross assets exceeds 10% or where the Company's performance exceeds the

benchmark index by 15% or more in the relevant period. The maximum number of shares which may be tendered pursuant to the tender facility in any financial year would be limited to 12.5% of the shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro-rata.

The tender facility has not been operated to date by the Company or previously by its predecessor UEM Bermuda.

## CONTINUATION OF THE COMPANY

UEM has been established with an unlimited life. However, the Directors consider it desirable to give Shareholders the periodic opportunity to review the future of the Company. Therefore, a resolution will be proposed that the Company should continue as presently constituted at the annual general meeting of the Company to be held in 2021 and at every fifth annual general meeting thereafter.

## SUBSTANTIAL SHARE INTERESTS

As at the date of this report, the Company had received notification of the following holdings of voting rights:

	Number of shares held	% held
UIL Limited	36,918,500	16.1
Bank of Montreal clients, including: Foreign & Colonial Investment Trust plc	23,161,693	10.1
Lazard Asset Management LLC	12,450,000	5.4
Rathbone Investment Management Limited	18,737,825	8.2
Investec Wealth & Investment Limited	10,728,364	4.7
	10,293,426	4.5

## THE COMMON REPORTING STANDARD

Tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the "Common Reporting Standard") was introduced on 1 January 2016. The legislation requires an investment trust company, to provide personal information to HMRC about investors who purchase shares. The Company is required to provide information annually on the tax residences of

## DIRECTORS' REPORT (continued)

a number of non-UK based certificated shareholders. HMRC may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders entered onto the share register, excluding those whose shares are held in CREST, will be sent a certification form for the purposes of collecting this information.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

In conjunction with looking at the financial, macro and political drivers when making an investment, the Company does take into consideration environmental, social and governance ("ESG") risks and opportunities as we believe that our investee companies should consider ESG framework. ESG factors are therefore taken into consideration as part of the investment process, however the Company does not decide whether to make an investment decision on environment and social ground alone. Having made the investment UEM does exercise its votes on ESG concerns should they arise.

As part of ensuring a solid corporate governance framework is enforced within an investment opportunity, the Investment Managers will seek to exercise all voting rights attached to shares held by the Company. The Investment Managers review all resolutions and will vote accordingly, and the Board periodically receives a report on instances where the Investment Managers have voted against the recommendation of an investee company's management on any resolution.

The concept of responsible investing has always been one of the founding pillars of UEM's and its predecessor's investment process, therefore taking into consideration ESG risks and opportunities is not a new phenomenon. ICM have however formulated an ESG investment policy which is integrated into each investment opportunity. The Investment Managers have regular contact with investees and often write to boards setting out the Investment Managers' position.

The Company is a member of the Asian Corporate Governance Association, which seeks the implementation of effective corporate governance in Asia.

### AUDIT INFORMATION AND AUDITOR

As required by section 418 of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to re-appoint KPMG as auditor to the Company will be proposed at the Annual General Meeting on 17 September 2019.

### LISTING RULE 9.8.4R

There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R (information to be included in annual report and accounts).

### ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming Annual General Meeting ("AGM") is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your shares in the Company, you should pass this document, together with any other accompanying documents including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The business of the AGM consists of 13 resolutions. Resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions.

### Ordinary Resolution 1 – Annual Report and Financial Statements

This resolution seeks shareholder approval to receive the report of the Directors and financial statements for the period ended 31 March 2019 and the Auditor's report thereon.





#### **Ordinary Resolution 2 – Approval of the Directors’ Remuneration Policy**

This resolution is to approve the Directors’ Remuneration Policy which, if passed, will be effective with immediate effect and will apply until it is next put to shareholders for approval, which must be at intervals of not more than three years.

#### **Ordinary Resolution 3 – Approval of the Directors’ Remuneration Report**

This resolution is an advisory vote on the Directors’ Remuneration Report.

#### **Ordinary Resolution 4 – Approval of the Company’s dividend policy**

This resolution seeks shareholder approval of the Company’s dividend policy to pay four interim dividends per year. Under the Company’s Articles of Association, the Board is authorised to approve the payment of interim dividends without the need for the prior approval of the Company’s shareholders.

Having regard to corporate governance best practice relating to the payment of interim dividends without the approval of a final dividend by a company’s shareholders, the Board has decided to seek express approval from shareholders of its dividend policy to pay four interim dividends per year. If this resolution is not passed, it is the intention of the Board to refrain from authorising any further interim dividends until such time as the Company’s dividend policy is approved by its shareholders.

#### **Ordinary Resolutions 5 to 8 – Election of the Directors.**

Resolutions 5 to 8 relate to the election of the existing Directors other than Mr Madeiros who has notified the Company that he will not be standing for election. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors standing for election continues to be effective and that each Director continues to demonstrate commitment to their role.

## DIRECTORS' REPORT (continued)

### **Ordinary Resolutions 9 and 10 – Appointment of the external Auditor and the Auditor's Remuneration**

These resolutions relate to the appointment and remuneration of the Company's auditor. The Company, through its Audit Committee, has considered the independence and objectivity of the external auditor and is satisfied that the proposed Auditor is independent. Further information in relation to the assessment of the existing Auditor's independence can be found in the report of the Audit Committee.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM.

### **Ordinary Resolution 11 – Authority to allot shares**

The Directors may only allot shares for cash if authorised to do so by shareholders in a general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £114,750 per annum, which is equivalent to 11,475,000 ordinary shares of 1p each and represents 5% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the Notice of the AGM. This resolution will expire at the conclusion of the next AGM of the Company to be held in 2021 unless renewed prior to that date at an earlier general meeting.

### **Special Resolution 12 – Authority to disapply pre-emption rights**

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 12 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £114,750 which is equivalent to 11,475,000 ordinary shares of 1p each and represents 5% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the Notice of the AGM. Any such sale of shares would only be made at prices greater than NAV and would therefore increase the assets underlying each share. This resolution will expire at the conclusion of the next AGM of the Company to be held in 2021 unless renewed prior to that date at an earlier general meeting.

### **Special Resolution 13 – Authority to buy back shares**

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares.

The Directors are seeking authority to purchase up to 34,410,000 ordinary shares (being 14.99% of the issued ordinary share capital excluding treasury shares as at the date of this report). This authority, unless renewed at an earlier general meeting, will expire at the conclusion of the next Annual General Meeting of the Company to be held in 2020.

Any shares purchased pursuant to this resolution shall be cancelled immediately upon completion of the purchase or held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 2006.

### **Recommendation**

The Board considers that each of the resolutions to be proposed at the Annual General Meeting, is likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of these resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board

**ICM Investment Management Limited, Secretary**

13 June 2019

# CORPORATE GOVERNANCE STATEMENT

## THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance is the process by which the board of directors of a company protects shareholders' interests and by which it seeks to enhance shareholder value. Shareholders hold the directors responsible for the stewardship of a company's affairs, delegating authority and responsibility to the directors to manage the company on their behalf and holding them accountable for its performance. Responsibility for good

governance lies with the Board. The Board considers the practice of good governance to be an integral part of the way it manages the Company and is committed to maintaining high standards of financial reporting, transparency and business integrity.

The governance framework of the Company reflects the fact that as an investment company it has no full-time employees and outsources its activities to third party service providers.

## THE BOARD

**Five non-executive directors (NEDs)**

**CHAIRMAN:**  
**John Rennocks**

### KEY OBJECTIVES:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed; and
- to constructively challenge and scrutinise performance of all outsourced activities.

### AUDIT COMMITTEE

**All independent NEDs**  
**CHAIRMAN:**  
**Garry Madeiros**

### KEY OBJECTIVE:

- to oversee the financial reporting and control environment.

### MANAGEMENT ENGAGEMENT COMMITTEE

**All independent NEDs**  
**CHAIRMAN:**  
**John Rennocks**

### KEY OBJECTIVES:

- to review the performance of the Investment Managers and the Administrator; and
- to review the performance of other service providers.

### NOMINATION COMMITTEE

**The Board as a whole performs this function**

### KEY OBJECTIVES:

- to regularly review the Board's structure and composition; and
- to consider any new appointments.

### REMUNERATION COMMITTEE

**All NEDs**  
**CHAIRMAN:**  
**Garth Milne**

### KEY OBJECTIVE:

- to set the remuneration policy of the Company.

# CORPORATE GOVERNANCE STATEMENT (continued)

## THE AIC CODE OF CORPORATE GOVERNANCE

As a UK-listed investment trust the Board's principal governance reporting obligation is in relation to the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC"). However, it is recognised that investment companies have special circumstances which have an impact on their governance arrangements. An investment company typically has no employees and the roles of portfolio manager, administration, accounting and company secretarial tend to be outsourced to a third party. The Association of Investment Companies has therefore drawn up its own set of guidelines known as the AIC Code of Corporate Governance (the "AIC Code"), which recognises the nature of investment companies by focusing on matters such as board independence and the review of management and other third party contracts. The FRC has endorsed the AIC Code and confirmed that companies which report against the AIC Code will be meeting their obligations in relation to the UK Code and paragraph LR9.8.6 of the FCA's Listing Rules. The Board believes that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

## COMPLIANCE WITH THE AIC CODE

During the period ended 31 March 2019, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as those relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- nomination of a senior independent director

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Board is composed of independent non-executive directors and therefore the Board does not believe it is necessary to nominate a senior independent director.

The Board notes that a new version of the AIC Code was published in January 2019 and applies to accounting periods beginning on or after 1 January 2019. The Company will report against the new Code for the financial year ending 31 March 2020.

Information on how the Company has applied the principles of the AIC Code and the UK Code is set out below.

## THE BOARD

The Board is responsible to shareholders for the overall stewardship of the Company. A formal schedule of matters reserved for the decision of the Board has been adopted. Investment policy and strategy are determined by the Board and it is also responsible for the gearing policy, dividend policy, public documents, such as the Annual Report and Financial Statements, the buy-back policy and corporate governance matters. In order to enable the Directors to discharge their responsibilities effectively the Board has full and timely access to relevant information.

The Board meets at least quarterly, with additional Board and Committee meetings being held on an ad hoc basis to consider particular issues as they arise. Key representatives of the Investment Managers attend each meeting and between these meetings there is regular contact with the Investment Managers. Board meetings are often held in countries where the Company holds investments and the Board will meet with investee companies and local experts.

The Board has direct access to the advice and services of the company secretary, who is an employee of ICMIM. The company secretary, with advice from the Company's lawyers and financial advisers, is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The company secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. The company secretary is responsible for advising the Board, through the Chairman, on all governance matters.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense, having first consulted with the Chairman.

There were five Board meetings, four Audit Committee meetings, one Management Engagement Committee meeting and one Remuneration Committee meeting held during the period and the attendance by the Directors was as follows:



	Board	Audit Committee	Management Engagement Committee	Remuneration Committee
Number of scheduled meetings per annum	5	4	1	1
John Rennocks	5	n/a	1	1
Susan Hansen	5	n/a	n/a	1
Garry Madeiros	5	4	1	1
Garth Milne	5	4	1	1
Anthony Muh	5	4	1	1

Apart from the meetings detailed above, there were a number of meetings held by committees of the Board to approve the declaration of quarterly dividends and other ad hoc items.

#### AUDIT COMMITTEE

During the period ended 31 March 2019, the Audit Committee, which is chaired by Mr Madeiros, consisted of all the independent Directors of the Company except the Chairman who attended by invitation. Following publication of the new AIC Code in January 2019 which permits the Chairman of the Board to sit on an audit committee, the Audit Committee now consists of all the independent Directors of the Company. Further details of the Audit Committee are provided in its report on page 55.

#### MANAGEMENT ENGAGEMENT COMMITTEE

The Board has appointed a Management Engagement Committee, chaired by Mr Rennocks, which operates within written terms of reference clearly setting out its authority and duties. The Management Engagement Committee is comprised of the independent Directors of the Company and meets at least once a year.

The Investment Managers' performance is considered by the Board at every meeting, with a formal evaluation by the Management Engagement Committee annually. The Board received detailed reports and views from the Investment Managers on investment policy, asset allocation, gearing and risk at each Board meeting in the period ended 31 March 2019, with ad hoc market/company updates if there were significant movements in the intervening period.

The Management Engagement Committee also considers the effectiveness of the administration services provided by the Investment Managers and Administrator, including the timely identification and

resolution of areas of accounting judgement and implementation of new regulatory requirements and the performance of other third party service providers. In this regard the Committee assessed the services provided by the Investment Managers, the Administrator and the other service providers to be good.

#### REMUNERATION COMMITTEE

The Remuneration Committee, which is chaired by Mr Milne, comprises all the Directors of the Company. Further details are provided in the Directors' Remuneration Report on page 52.

#### INTERNAL CONTROLS

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal financial and non-financial controls ("internal controls") to safeguard shareholders' investments and the Company's assets.

The Company's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. The system can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Investment Managers, Administrator and Custodian maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from these service providers.

The Board meets regularly, at least four times a year. It reviews financial reports and performance against relevant stock market criteria and the Company's peer group, amongst other things. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least bi-annually

## CORPORATE GOVERNANCE STATEMENT (continued)



against risk parameters approved by the Board. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the period ended 31 March 2019 or subsequently up to the date of this annual financial report.

The Board has reviewed and accepted the Investment Managers' anti-bribery and corruption and "whistleblowing" policies.

### **BOARD DIVERSITY, APPOINTMENT, RE-ELECTION AND TENURE**

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a nomination committee. It considers the size and structure of the Board, including the balance of expertise and skills brought by individual Directors. It has regard to board diversity and recognises the value of progressive refreshing of and succession planning for, company boards and such matters are discussed by the Board as a whole at least annually. The Board also seeks to have Directors in different jurisdictions who understand the key influences on businesses in their area, whether they are economic, political, regulatory

or other issues. The Board's policy on diversity, including gender, is to take this into account during the recruitment process. Any new appointment is considered on the basis of the skills and experience that the individual would bring to the Board, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report. As at the date of this report, the Board consists of four men and one woman.

The Board is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. All Directors are subject to annual re-election.

The Board reviews succession planning at least annually. Appointments of new Directors will be made on a formalised basis with the Chairman agreeing, in conjunction with his colleagues, a job specification and other relevant selection criteria and the methods

of recruitment (where appropriate using an external recruitment agency), selection and appointment. The potential Director would meet with Board members prior to formal appointment. An induction process will be undertaken, with new appointees to the Board being given a full briefing on the workings and processes of the Company and the management of the Company by the Chairman, the Investment Managers, the company secretary and other appropriate persons. All appointments are subject to subsequent confirmation by shareholders in general meeting.

#### **BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL**

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee, the Management Engagement Committee and the Remuneration Committee and individual Directors. The performance of the Board, Audit Committee, Management Engagement Committee and Remuneration Committee and Directors has been assessed during the period in terms of:

- attendance at meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees through the range and diversity of skills and experience each Director brings to their role; and
- the Board's ability to challenge the Investment Managers' recommendations, suggest areas of debate and set the future strategy of the Company.

The Board opted to conduct performance evaluation through questionnaires and discussion between the Directors, the Chairman and the chairmen of the Committees. This process is conducted by the Chairman reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the Deputy Chairman reviews the performance of the Chairman with the other Directors, taking into account the views of the Investment Managers. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the period under review and will be conducted on an annual basis. The result of this period's performance evaluation process was that the

Board, the Committees of the Board and the Directors individually were all assessed to have performed satisfactorily. No follow-up actions were required.

It is not felt appropriate currently to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

#### **RELATIONS WITH SHAREHOLDERS**

UEM welcomes the views of shareholders and places great importance on communication with shareholders.

The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the calculation and publication, via a Regulatory Information Service, of the net asset value of the Company's shares and by monthly fact sheets produced by the Investment Managers. Shareholders can visit the Company's website: [www.uemtrust.co.uk](http://www.uemtrust.co.uk) in order to access copies of half-yearly and annual financial reports, factsheets and regulatory announcements.

There is a regular dialogue between the Investment Managers and institutional shareholders, including private client wealth managers, to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to institutional shareholders and analysts follow the publication of the annual results. All meetings between the Investment Managers and institutional and other shareholders are reported to the Board. The Chairman and other Directors are available to discuss any concerns with shareholders if required.

By order of the Board  
**ICM Investment Management Limited**  
 Company Secretary

13 June 2019



# DIRECTORS' REMUNERATION REPORT

The Board presents the report on directors' remuneration for the period ended 31 March 2019 which has been prepared in accordance with Section 421 of the Companies Act 2006. The report comprises a remuneration policy, which is subject to a triennial binding shareholder vote, or sooner if an alteration to the policy is proposed, and a report on remuneration, which is subject to an annual advisory vote. The law requires the Company's auditor to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 59.

The Board's policy on remuneration is set out below. A key element is that fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience to promote the long term success of the Company whilst also reflecting the time commitment and responsibilities of the role.

## DIRECTORS' REMUNERATION POLICY

The Board, on the recommendation of its Remuneration Committee, considers the level of the Directors fees at least annually. The Board determines the level of Directors' fees within the limit currently set by the Company's Articles, which limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum.

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Directors and the chairman of the Audit Committee are taken into account. The policy aims to be fair and reasonable in relation to comparable investment companies.

The fees are fixed and the monetary amount (net of tax) is used to purchase shares in the Company on behalf of the Directors quarterly in arrears. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at Board and general meetings and Committee meetings. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors are provided with a letter of appointment when they join the Board. There is no provision for compensation upon early termination of appointment. The letters of appointment are available on request at the Company's registered office during business hours.

## REMUNERATION COMMITTEE

UEM's Remuneration Committee is comprised of the whole Board and is chaired by Mr Milne. It operates within written terms of reference setting out its authority and duties. The Remuneration Committee is responsible for reviewing and making recommendations to the Board in respect of the fees of Directors.

Following recommendations from the Remuneration Committee, the Board reviews the fees payable to the Chairman and Directors annually. The fees payable to the Chairman and Directors were reviewed with effect from 1 April 2018 such that the Directors received fees of £33,250 per annum, the chairman of the Audit Committee received £42,000 and the Chairman of the Board received £45,000. The review in respect of the year ending 31 March 2020 has resulted in the annual fees being increased with effect from 1 April 2019 as detailed in the table below.

Period ending 31 March	2020 £'000s	2019* £'000s
Chairman	46.0	45.0
Directors	34.0	33.3
Chairman of Audit Committee	43.0	42.0

\*Actual

## CONSIDERATION OF SHAREHOLDERS' VIEWS

An ordinary resolution to approve the remuneration report will be put to shareholders at each AGM, and shareholders will have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of remuneration policy.

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval for its remuneration policy on a triennial basis. An ordinary resolution for the approval of the remuneration policy will be put to shareholders at the forthcoming AGM.

## DIRECTORS' ANNUAL REPORT ON REMUNERATION (AUDITED)

A single figure for the total remuneration of each Director is set out in the table below for the period 31 March 2019. These fees exclude employers' national insurance contributions and VAT where applicable:

Director	Shares purchased <sup>(1)</sup>	2018/19 Entitlement £ <sup>(2)</sup>	Taxable benefits <sup>(3)</sup>	Total £ <sup>(2)</sup>
John Rennocks (Chairman)	13,099	45,000	1,058	46,058
Garth Milne	12,862	33,250	–	33,250
Susan Hansen	16,102	33,250	–	33,250
Garry Madeiros <sup>(4)</sup>	19,952	42,000	554	42,554
Anthony Muh	15,777	33,250	–	33,250
Totals	77,792	186,750	1,612	188,362

(1) All the shares were purchased in the market, as set out in note 1(j) on page 70

(2) The Directors' entitlement to fees is calculated in arrears

(3) Taxable benefits comprises amounts reimbursed for expenses incurred in carrying out business for the Company

(4) Mr Madeiros' fee includes an entitlement of £8,750 for being Chairman of the Audit Committee

The information in the table above has been audited. The amounts paid by the Company to the Directors were for services as non executive directors. As at 31 March 2019, £nil was outstanding to Directors in respect of their annual fees.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the period to 31 March 2019. The prior year figures relate to UEM Bermuda and are shown for information only. This disclosure is a statutory requirement; however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment company with an objective of providing shareholders with long-term total return.

Period ended 31 March	2019 £'000s	2018* £'000s	Change £'000s
Aggregate Directors' emoluments	187	183	4
Aggregate shareholder distributions paid	16,642	15,209	1,433

\*UEM Bermuda

## DIRECTORS' BENEFICIAL SHARE INTERESTS

The Directors' shareholdings are detailed below

As at 31 March	2019	2018*
John Rennocks	137,923	124,824
Garth Milne	790,546	777,684
Susan Hansen	93,300	77,198
Garry Madeiros	26,317	206,365
Anthony Muh	172,368	151,209

\*Shares in UEM Bermuda

All the above interests are beneficial. There have been no changes since 31 March 2019. No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than as stated above.

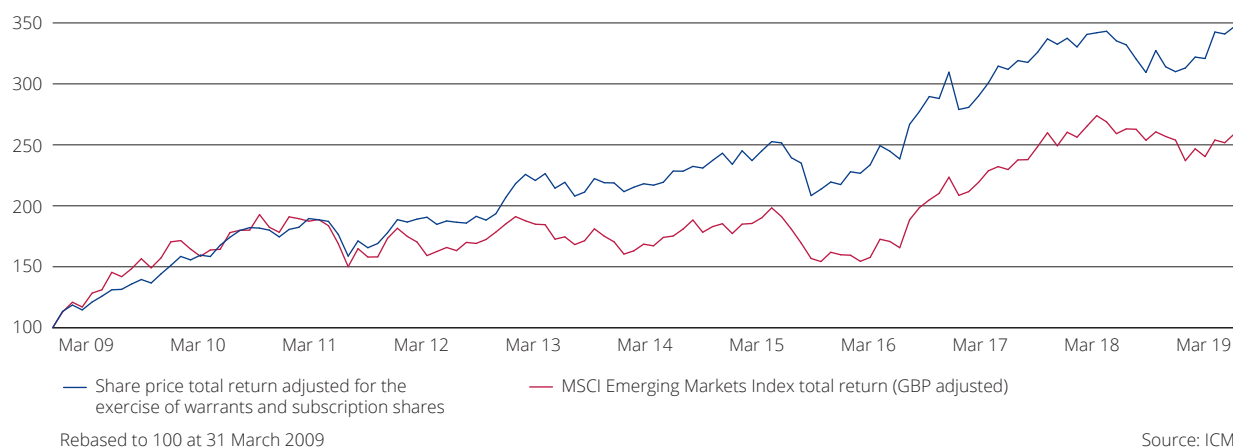
# DIRECTORS' REMUNERATION REPORT (continued)

## COMPANY PERFORMANCE

Including the performance of UEM Bermuda, the graph below compares, for the ten years ended 31 March 2019, the share price total return (assuming all dividends are reinvested and adjusted for the exercise of warrants and subscription shares) to shareholders compared to the MSCI Emerging Markets Index total return (GBP adjusted).

## TOTAL RETURN COMPARATIVE PERFORMANCE

From 31 March 2009 to 31 March 2019



Source: ICM

On behalf of the Board

**John Rennocks**

Chairman

13 June 2019



# AUDIT COMMITTEE REPORT



**GARRY MADEIROS**  
Chairman of the Audit  
Committee

As Chairman of the Audit Committee, I am pleased to present the Committee's report to shareholders for the period ended 31 March 2019.

## ROLE AND RESPONSIBILITIES

UEM has established a separately chaired Audit Committee whose duties include considering and recommending to the Board for approval the contents of

the half yearly and annual financial statements and providing an opinion as to whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee meets at least three times a year. Two of the planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the principal service providers on their internal controls. Representatives of the Investment Managers attend all meetings.

## COMPOSITION

During the period ended 31 March 2019, the Audit Committee consisted of all the independent Directors of the Company except the Chairman who attended by invitation. Following publication of the new AIC Code in January 2019 which permits the Chairman of the Board to sit on an audit committee, the Audit Committee now consists of all the independent Directors of the Company. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

## RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

During the period the principal activities of the Audit Committee included:

- regular review of the portfolio, particularly the unlisted investments;
- considering and recommending to the Board for approval the contents of the half yearly and annual

financial statements and reviewing the external auditor's report;

- considering the basis of accounting and as set out in note 25 to the accounts, the financial statements have been prepared on a going concern basis;
- considering the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders;
- evaluation of reports received from the auditor with respect to the annual financial statements and its review of the half-yearly report;
- management of the relationship with the external auditor, including its appointment and the evaluation of scope, effectiveness, independence and objectivity of its audit and non-audit services;
- evaluation of the effectiveness of the internal control and risk management systems including reports received on the operational controls of the Company's service providers and reports from the Company's depository;
- monitoring developments in accounting and reporting requirements that impact on the Company's compliance with relevant statutory and listing requirements; and
- review of SOC1 reports or their equivalent from the Administrator and the Custodian.

## AUDITOR AND AUDIT TENURE

KPMG LLP ("KPMG") has been the auditor of the Company since 2018 and prior to that auditor of UEM Bermuda since 2012. The audit partner is Jonathan Martin. The Audit Committee has considered the independence of the auditor and the objectivity of the audit process and is satisfied that KPMG has fulfilled its obligations to shareholders as independent auditor to the Company.

It is the Company's policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the half-yearly report or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the

Committee would procure such services from an accountancy firm other than the auditor. Non-audit fees paid to KPMG amounted to £5,000 for the period ended 31 March 2019 and related to the review of the half-yearly accounts; more details are included in note 5 to the accounts.

The partner and manager of the audit team at KPMG presented their audit plan to the Audit Committee in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. KPMG reported to the Audit Committee on these items, their independence and

other matters. This report was considered by the Audit Committee and discussed with KPMG and the Investment Managers prior to approval of the annual financial report.

Members of the Audit Committee meet in camera with the external auditor at least annually.

## ACCOUNTING MATTERS AND SIGNIFICANT AREAS

For the period ended 31 March 2019 the accounting matters that were subject to specific consideration by the Audit Committee and consultation with KPMG where necessary were as follows:

SIGNIFICANT AREA	HOW ADDRESSED
<b>Value of the unlisted investments</b>	<p>Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in note 1(c) to the accounts, and all such valuations are carefully reviewed by the Audit Committee with the Investment Managers.</p> <p>The Audit Committee receives detailed information on all the unlisted investments and it discusses and challenges the valuations with the Investment Managers. It considers market comparables and discusses any proposed revaluations with the Investment Managers. The Audit Committee checks with KPMG that it has reviewed and tested the proposed valuations for reasonability.</p>

The above was satisfactorily addressed through consideration of reports provided by, and discussed with, the Investment Managers, the Administrator and KPMG. As a result, and following a thorough review process, the Audit Committee advised the Board that it is satisfied that, taken as a whole, the annual financial report for the period to 31 March 2019 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Audit Committee has assumed that the reader of the report would have a reasonable level of knowledge of the investment company industry.

## EXTERNAL AUDIT, REVIEW OF ITS EFFECTIVENESS AND AUDITOR REAPPOINTMENT

The Audit Committee advises the Board on the appointment of the external auditor, its remuneration for audit and non-audit work and its cost effectiveness, independence and objectivity.

As part of the review of the effectiveness of the audit process, a formal evaluation process incorporating views from the members of the Audit Committee and relevant personnel at the Investment Managers is followed and feedback is provided to KPMG. Areas covered by this review include:

- the calibre of the audit firm, including reputation and industry presence;
- the extent of quality controls including review processes, second director oversight and annual reports from its regulator;

- the performance of the audit team, including skills of individuals, specialist knowledge, partner involvement, team member continuity and quality and timeliness of audit planning and execution;
- audit communication including planning, relevant accounting and regulatory developments, approach to significant accounting risks, communication of audit results and recommendations on corporate reporting;
- ethical standards including independence and integrity of the audit team, lines of communication to the Committee and partner rotation; and
- reasonableness of the audit fees.

For the period ended 31 March 2019, the Audit Committee is satisfied that the audit process was effective.

## **INTERNAL CONTROLS AND RISK MANAGEMENT**

UEM's risk assessment focus and the way in which significant risks are managed is a key area of focus for the Audit Committee. Work here was driven by the Audit Committee's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates, the Investment Managers, the Administrator and other service providers. These are recorded in risk matrices produced by ICMIM, as the Company's AIFM with responsibility for risk management, which continue to serve as an effective tool to highlight and monitor the principal risks, details of which are provided in the Strategic Report. It also received and considered, together with representatives of the Investment Managers, reports in relation to the operational controls of the Investment Managers, Administrator, Custodian and share registrar. These reviews identified no issues of significance.

## **WHISTLEBLOWING POLICY**

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by the Investment Managers under which their staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.

## **INTERNAL AUDIT**

Due to the nature of the Company, being an externally managed investment company with no executive employees, the Company does not have its own internal audit function. The Committee and the Board have concluded that there is no current need for such a function, based on the satisfactory operation of controls within the Company's service providers.

### **Garry Madeiros**

Chairman of the Audit Committee

13 June 2019



# DIRECTORS' STATEMENT OF RESPONSIBILITIES

## in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and regulations.

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 IFRS as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board on 13 June 2019 and signed on its behalf by:

**John Rennocks**  
Chairman

# Independent auditor's report

## to the members of Utilico Emerging Markets Trust plc

### 1. Our opinion is unmodified

We have audited the financial statements of Utilico Emerging Markets Trust plc ("the Company") for the period from 7 December 2017 (the date of incorporation) to 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 7 February 2018. The period of total uninterrupted engagement is for the financial period ended 31 March 2019. Prior to that we were also auditor to UEM Bermuda, an entity which transferred all its assets and liabilities to the newly incorporated UEMT during the year. We were auditor of this entity for six years up to the year ending 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

<b>Materiality:</b>	£5.9m
financial statements as a whole	1% of total assets

<b>Key audit matters</b>	Valuation of unlisted investments (significant risk)
	Valuation of listed investments

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Valuation of unlisted investments</b> (£22.7 million)  <i>Refer to page 55 (Audit Committee Report), page 69 (accounting policy) and pages 75 and 76 (financial disclosures).</i>	<b>Subjective valuation:</b>  3.9% of the company's total assets (by value) is held in investments where no quoted market price is available. Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples and net assets. There is a significant risk over the valuation of these investments.  The effect of this matter is that, as part of our risk assessment, we determined that unlisted investment valuations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: <ul style="list-style-type: none"> <li>— <b>Control design:</b> Documenting and assessing the design and implementation of the investment valuation processes and controls;</li> <li>— <b>Historical comparisons:</b> Assessment of investment realisations in the period, comparing actual sales proceeds to previous quarterly valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;</li> <li>— <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;</li> <li>— <b>Comparing valuations:</b> Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation.</li> <li>— <b>Our valuations experience:</b> Challenging the investment manager on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable and we obtained an understanding of existing and prospective investee Company cash flows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the period end up until the date of this audit report.</li> </ul>

## 2. Key audit matters: our assessment of risks of material misstatement (cont.)

	The risk	Our response
<b>Valuation of unlisted investments (cont.)</b>	<b>Subjective valuation: (cont.)</b>	<p>— <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.</p> <p>Our results:</p> <p>We found the Company's valuation of unlisted investments to be acceptable.</p>
<b>Valuation of listed investments</b> (£546.4 million)  <i>Refer to page 55 (Audit Committee Report), page 69 (accounting policy) and pages 75 and 76 (financial disclosures).</i>	<b>Low risk, high value:</b>  The Company's portfolio of listed investments makes up 93.0% of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	<p>Our procedures included:</p> <p>— <b>Control design:</b> Documenting and assessing the design and implementation of the investment valuation processes and controls;</p> <p>— <b>Pricing:</b> Agreeing the pricing of 100% of the listed investments in the portfolio to third party pricing sources; and</p> <p>— <b>Enquiry of custodians:</b> Agreeing 100% of investment holdings in the portfolio to independently received third party confirmations.</p> <p>Our results:</p> <p>We found the carrying amount of listed investments to be acceptable.</p>

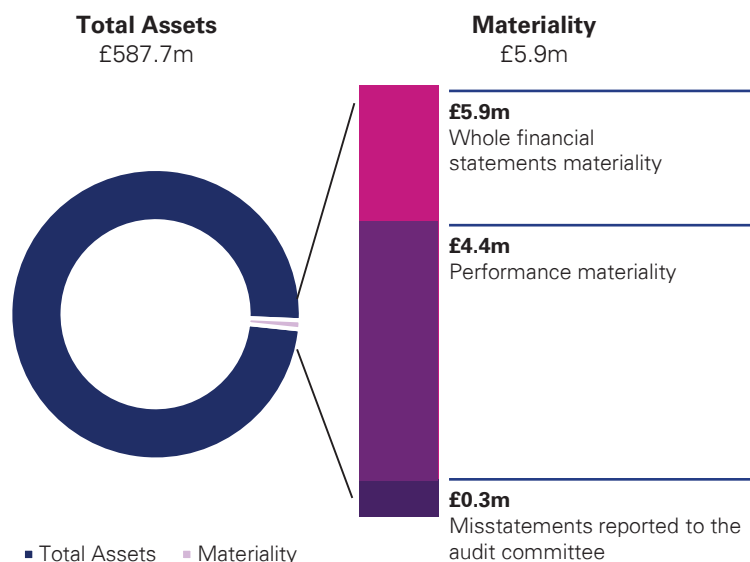
## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £5.9 million, determined with reference to a benchmark of total assets, of which it represents 1%.

In addition, we applied materiality of £0.9 million to management and administration fees for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the users assessment of the Company's financial performance.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above at our offices in London, United Kingdom.





#### 4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 44 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

#### 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information

##### *Strategic report and directors' report*

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### *Directors' remuneration report*

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### *Disclosures of principal risks and longer-term viability*

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Strategic Report on pages 34 and 35 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Risk Mitigation disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Strategic Report of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Strategic Report. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

#### *Corporate governance disclosures*

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

#### **6. We have nothing to report on the other matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **7. Respective responsibilities**

##### *Directors' responsibilities*

As explained more fully in their statement set out on page 58 the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

##### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

##### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, the manager and the administrator (as required by auditing standards) and discussed with the directors and the manager the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and its qualification as an Investment Trust under UK tax legislation, and breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects and certain aspects of company legislation recognising the financial and regulated nature of the Companies activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

#### **8. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Jonathan Martin (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

13 June 2019

# STATEMENT OF COMPREHENSIVE INCOME

for the period 7 December 2017 to 31 March 2019

Notes		Revenue return £'000s	Capital return £'000s	Total return £'000s
10	Gains on investments	–	1,271	1,271
20	Gains on derivative instruments	–	2,306	2,306
20	Foreign exchange losses	–	(889)	(889)
3	Investment and other income	21,421	24	21,445
	<b>Total income</b>	<b>21,421</b>	<b>2,712</b>	<b>24,133</b>
4	Management and administration fees	(1,503)	(2,731)	(4,234)
5	Other expenses	(1,644)	–	(1,644)
	<b>Profit/(loss) before finance costs and taxation</b>	<b>18,274</b>	<b>(19)</b>	<b>18,255</b>
6	Finance costs	(106)	(246)	(352)
	<b>Profit/(loss) before taxation</b>	<b>18,168</b>	<b>(265)</b>	<b>17,903</b>
7	Taxation	(798)	–	(798)
	<b>Profit/(loss) for the period</b>	<b>17,370</b>	<b>(265)</b>	<b>17,105</b>
8	<b>Earnings per share (basic) – pence</b>	<b>7.47</b>	<b>(0.12)</b>	<b>7.35</b>

All items in the above statement derive from continuing operations.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The Company does not have any income or expense that is not included in the profit/(loss) for the period and therefore the profit/(loss) for the period is also the total comprehensive income for the period, as defined in International Accounting Standard 1 (revised).

All income is attributable to the equity holders of the Company.



# STATEMENT OF CHANGES IN EQUITY

for the period 7 December 2017 to 31 March 2019

Notes	Ordinary share capital £'000s	Redeemable deferred shares £'000s	Merger reserve £'000s	Capital redemption reserve £'000s	Retained earnings			Total £'000s
					Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	
15,17 Shares issued	2,345	-	577,416	-	-	-	-	579,761
16,17 Transfer on issue of redeemable deferred shares	-	500,000	(500,000)	-	-	-	-	-
15,16, 18,19 Shares purchased by the Company and cancelled	(47)	(500,000)	-	500,047	(9,496)	-	-	(9,496)
18,19 Transfer to special reserve	-	-	-	(500,000)	500,000	-	-	-
17 Fund launch fees	-	-	(710)	-	-	-	-	(710)
20,21 (Loss)/profit for the period	-	-	-	-	-	(265)	17,370	17,105
9 Dividends paid in the period	-	-	-	-	-	-	(12,505)	(12,505)
<b>Balance at 31 March 2019</b>	<b>2,298</b>	<b>-</b>	<b>76,706</b>	<b>47</b>	<b>490,504</b>	<b>(265)</b>	<b>4,865</b>	<b>574,155</b>

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2019		£'000s
Notes		
	<b>Non-current assets</b>	
10	Investments	569,134
11	<b>Current assets</b>	
	Other receivables	6,793
	Derivative financial instruments	77
	Cash and cash equivalents	11,668
		<b>18,538</b>
12	<b>Current liabilities</b>	
	Other payables	(5,638)
	Derivative financial instruments	(124)
		<b>(5,762)</b>
	<b>Net current assets</b>	<b>12,776</b>
	<b>Total assets less current liabilities</b>	<b>581,910</b>
	<b>Non-current liabilities</b>	
13	Bank loans	(7,755)
	<b>Net assets</b>	<b>574,155</b>
	<b>Equity attributable to equity holders</b>	
15	Ordinary share capital	2,298
16	Redeemable deferred shares	–
17	Merger reserve	76,706
18	Capital redemption reserve	47
19	Special Reserve	490,504
20	Capital reserves	(265)
21	Revenue reserve	4,865
	<b>Total attributable to equity holders</b>	<b>574,155</b>
22	<b>Net asset value per share</b>	
	<b>Basic – pence</b>	<b>249.84</b>

Approved by the Board on 13 June 2019 and signed on its behalf by

**John Rennocks**

Chairman

Utilico Emerging Markets Trust plc  
Registered in England, No 11102129

# STATEMENT OF CASH FLOWS

for the period 7 December 2017 to 31 March 2019

	£'000s
<b>Operating activities</b>	
Profit before taxation	17,903
Deduct investment income – dividends	(19,580)
Deduct investment income – interest	(1,825)
Deduct bank Interest received	(16)
Add back interest paid	352
Add back gains on investments	(1,271)
Add back gains on derivative instruments	(2,306)
Add back foreign exchange losses	889
Increase in other receivables	(119)
Increase in other payables	1,617
<b>Net cash outflow from operating activities before dividends and interest</b>	<b>(4,356)</b>
Interest paid	(349)
Dividends received	11,039
Bank interest received	16
Investment income – interest	975
Taxation paid	(798)
<b>Net cash inflow from operating activities</b>	<b>6,527</b>
<b>Investing activities</b>	
Purchase of investments	(257,917)
Sales of investments	126,426
Sales of derivatives	2,352
<b>Net cash outflow from investing activities</b>	<b>(129,139)</b>
<b>Financing activities</b>	
Repurchase of shares for cancellation	(9,496)
Dividends paid	(12,505)
Drawdown of bank loans	27,785
Repayment of bank loans	(19,941)
Loan from subsidiary	150,125
Fund launch fees	(710)
<b>Net cash inflow from financing activities</b>	<b>135,258</b>
<b>Increase in cash and cash equivalents</b>	<b>12,646</b>
Cash and cash equivalents at the start of the period	–
Effect of movement in foreign exchange	(978)
<b>Cash and cash equivalents as at 31 March 2019</b>	<b>11,668</b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The Company is an investment company incorporated in the United Kingdom on 7 December 2017, with a premium listing on the London Stock Exchange. The Company commenced trading on 3 April 2018 and its first accounting reference date is 31 March 2019 and thus there are no comparatives.

### (a) Basis of accounting

The accounts have been prepared on a going concern basis (see note 25) in accordance with IFRS, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASB that remain in effect and to the extent that they have been adopted by the European Union.

The Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and general hedge accounting. Except for the financial liabilities of bank loans that are valued at amortised cost, the Company measures all statement of financial position items at fair value, there are no impaired assets and does not enter into general hedge accounting. There is no material impact in relation to the adoption of this standard.

In the current financial period the Company has adopted IFRS 15. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Given the nature of the income streams of the Company, there is no material impact to the current measurement and disclosure of revenue.

The accounts have been prepared on a historical cost basis, except for the measurement at fair value of investments and derivative financial instruments.

The Board has determined by having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, that Sterling is the functional and reporting currency.

Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the AIC in November 2014 and updated in January 2017 and February 2018, do not conflict with the requirements of IFRS, the Directors have prepared the accounts on a basis consistent with the recommendations of the SORP.

In accordance with the SORP, the Statement of Comprehensive Income has been analysed between a revenue return (dealing with items of a revenue nature) and a capital return (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses, finance costs and taxation (insofar as they are not allocated to capital, as described in notes 1(h), 1(i), 1(k) and 1(l) below). Net revenue returns are allocated via the revenue return to the Revenue Reserve. Capital returns include, but are not limited to, profits and losses on the disposal and the valuation of non-current investments, derivative instruments and on cash and borrowings, operating costs and finance costs (insofar as they are not allocated to revenue as described in note 1(i) and 1(k) below). Net capital returns are allocated via the capital return to Capital Reserves.

Dividends on shares may be paid out of Special Reserve, Capital Reserves and Revenue Reserve.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these accounts. None of these are expected to have a significant effect on the accounts of the Company.

### (b) Financial instruments

Financial Instruments include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Accounting Standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of Instruments depends on the lowest significant applicable input.

### (c) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. Investments, including holdings in associated undertakings, used for efficient portfolio management are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. Derivatives comprising forward foreign exchange contracts, options and credit default swaps are accounted for as a financial asset/liability at fair value through profit or loss and are classified as held for trading. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy. Gains and losses on investments and on derivatives are analysed



within the Statement of Comprehensive Income as capital return. Investments and derivatives are valued in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board. In exercising their judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors.

#### **(d) Subsidiary undertakings**

Subsidiary undertakings of the Company, which are held as part of the investment portfolio, are accounted for as investments at fair value through profit and loss.

#### **(e) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short term deposits with an original maturity of three months or less. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

#### **(f) Debt instruments**

The Company's debt instruments can include short-term and long-term bank borrowings and overdrafts, initially measured at fair value and subsequently measured at amortised cost using the effective interest method. No debt instruments held during the period required hierarchical classification.

#### **(g) Foreign currency**

Foreign currency assets and liabilities are expressed in Sterling at rates of exchange ruling at the statement of financial position date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the Statement of Comprehensive Income and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

#### **(h) Other income**

Dividends receivable are shown gross of withholding tax and are analysed as revenue return within the Statement of Comprehensive Income (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital return) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. 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 foregone is allocated as revenue in the Statement of Comprehensive Income. Any excess in the value of the shares received over

the amount of the cash dividend foregone is allocated as capital in the Statement of Comprehensive Income. Interest on debt securities is accrued on a time basis using the effective interest rate method. Bank and short-term deposit interest is recognised on an accruals basis.

#### **(i) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income and analysed under revenue return except as stated below:

- the management fees, company secretarial fees and research fees payable to ICM and ICMIM are allocated 70% to capital return and 30% to revenue return.
- expenses incidental to the acquisition or disposal of Investments are allocated to capital return.
- performance related management fees (calculated under the terms of the Investment Management Agreement) are allocated to capital return.

#### **(j) Directors' fees**

Directors' fees are charged quarterly through the revenue column of the Statement of Comprehensive Income. The net fee entitlement after any applicable tax deductions of each Director is satisfied in shares of the Company, purchased in the market on behalf of, or issued to, each Director as soon as possible after each quarter end. The number of shares allocated is determined by dividing the net fee entitlement by the lower of the market value and the Net Asset Value ("NAV") on the date of allocation.

#### **(k) Finance costs**

Finance costs are accounted for using the effective interest method, recognised through the Statement of Comprehensive Income.

Finance costs are allocated 70% to capital return and 30% to revenue return.

#### **(l) Taxation**

Taxation currently payable is calculated using tax rules and rates in force at the period end, based on taxable profit for the period, which differs from the net return before tax. Note 7(b) sets out those items which are not subject to UK Corporation Tax.

Deferred tax is provided on an undiscounted basis on all timing differences that have originated but not reversed by the statement of financial position date, based on the tax rates that have been enacted at the statement of financial position date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely

than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

#### (m) Dividends payable

Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them and are reflected in the Statement of Changes in Equity.

#### (n) Merger reserve

The surplus of the net assets of UEM Bermuda received from the issue of new ordinary shares over the nominal value of such shares is credited to this account which is non-distributable. The nominal value of the shares issued is recognised in called up share capital.

#### (o) Capital reserves

Capital reserves are distributable reserves. The following items are accounted for through the Statement of Comprehensive Income as capital returns and transferred to capital reserves:

##### Capital reserve – arising on investments sold

– gains and losses on disposal of investments and derivative instruments

- exchange differences of a capital nature
- expenses allocated in accordance with note 1(i) and 1(k)

##### Capital reserve – arising on investments held

- increases and decreases in the valuation of investments and derivative instruments held at the period end.

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The presentation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period relate to the valuation of unquoted investments, details of which are set out in accounting policy 1(c) and the classification of the subsidiaries as investment entities. Details of the subsidiaries are set out in note 10 and all the subsidiaries carry on business, as investment companies and are therefore designated as being at fair value through profit and loss on initial recognition.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## 3. INVESTMENT AND OTHER INCOME

	2019		
	Revenue £'000s	Capital £'000s	Total £'000s
<b>Investment income</b>			
Dividends	19,580	–	19,580
Interest	1,825	–	1,825
Total investment income	21,405	–	21,405
<b>Other income</b>			
Bank interest	16	–	16
Sundry income	–	24	24
Total income	21,421	24	21,445

# NOTES TO THE ACCOUNTS (continued)

## 4. MANAGEMENT AND ADMINISTRATION FEES

	2019		
	Revenue £'000s	Capital £'000s	Total £'000s
Payable to: ICM/ICMIM			
– management, secretarial and research fees	1,170	2,731	3,901
Administration fees	333	–	333
	1,503	2,731	4,234

The Company has appointed ICMIM as its Alternative Investment Fund Manager and joint portfolio manager with ICM, for which they are entitled to a management fee and a performance fee. The aggregate fees payable by the Company are apportioned between the joint portfolio managers as agreed by them.

The relationship between ICMIM and ICM is compliant with the requirements of the EU Alternative Investment Fund Managers Directive and also such other requirements applicable to ICMIM by virtue of its regulation by the Financial Conduct Authority.

The annual management fee is 0.65% per annum of net assets, payable quarterly in arrears. The management fee is allocated 70% to capital return and 30% to revenue return. The investment management agreement may be terminated upon six months' notice.

In addition, the Investment Managers are entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the higher of (i) 8%; and (ii) the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus 2%. The maximum amount of a performance fee payable in respect of any financial year is 1.85% of the average net assets of the Company and any performance fee in excess of this cap is written off. The NAV must also exceed the high watermark established when the performance fee was last paid, adjusted for capital events and dividends paid since that date. The high watermark, which is unchanged following the redomicile, was 245.48p per share as at 3 April 2018. For the

period ended 31 March 2019 the attributable shareholders' funds were below the adjusted high watermark and therefore no performance fee has been accrued.

Half of the performance fee is payable in cash and half in shares of the Company ("Performance Shares"), based on the NAV per share as at the year end. The Investment Managers will purchase the Performance Shares in the market at a price equal to or below the NAV per share at the time of purchase. If the Investment Managers are unable to purchase some or all of the Performance Shares in the market at or below the NAV per share, the Company will issue to the Investment Managers shares at NAV equivalent to any shortfall. The full performance fee is payable to the Investment Managers as soon as practicable following the year end date in order to reduce the risk to the Company of material movements in the price of shares between the year end date and the date of payment. Any subsequent adjustment to the fee arising out of the audit process is paid to or recouped from the Investment Managers in cash within seven days of the publication of the Report and Accounts.

ICMIM also provides company secretarial services to the Company, with the Company paying 45% of the costs associated with this office and recharges research fees to the Company based on a budget of £0.3m per annum, paid quarterly in arrears. These charges are allocated 70% to capital return and 30% to revenue return.

JPMorgan Chase Bank N.A. – London Branch has been appointed Administrator and ICMIM has appointed Waverton to provide certain support services (including middle office, market dealing and information technology support services).

## 5. OTHER EXPENSES

	2019		
	Revenue £'000s	Capital £'000s	Total £'000s
Auditor's remuneration:			
for audit services <sup>(1)</sup>	81	-	81
for other services <sup>(2)</sup>	5	-	5
Broker and consultancy fees	128	-	128
Custody fees	578	-	578
Depository fees	116	-	116
Directors' fees for services to the Company (see Directors' Remuneration Report on pages 52 to 54)	187	-	187
Travel expenses	230	-	230
Professional fees	125	-	125
Sundry expenses	194	-	194
	<b>1,644</b>	<b>-</b>	<b>1,644</b>

All expenses are stated gross of irrecoverable VAT, where applicable.

(1) Total auditor's remuneration for audit services, exclusive of VAT, amounted to £80,000.

(2) Total Auditor's remuneration for other services amounts to £5,000, excluding VAT, for reviewing the interim accounts.

## 6. FINANCE COSTS

	2019		
	Revenue £'000s	Capital £'000s	Total £'000s
On loans and bank overdrafts	106	246	352

Finance costs are allocated 70% to capital return and 30% to revenue return (see note 1(k)).

## 7. TAXATION

### (a) Analysis of charge in period :

	2019		
	Revenue £'000s	Capital £'000s	Total £'000s
<b>Tax on ordinary activities</b>			
Overseas tax suffered	798	-	798



## NOTES TO THE ACCOUNTS (continued)

### (b) Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax for a company of 19.00%. The differences are explained below:

	Revenue £'000s	Capital £'000s	2019 Total £'000s
Net profit/(loss) before taxation	18,168	(265)	17,903
Corporation tax at 19.00%	3,452	(50)	3,402
<b>Effects of:</b>			
Non taxable dividend income	(3,615)	-	(3,615)
Non taxable capital loss on investments	-	(516)	(516)
Capital expenses deductible for tax purposes	(566)	566	-
Overseas tax suffered	798	-	798
Excess expenses for the period	739	-	739
Double taxation relief	(10)	-	(10)
<b>Total tax charge for the period</b>	<b>798</b>	<b>-</b>	<b>798</b>

There is an unrecognised deferred tax asset of £739,000 (based on a prospective corporation tax rate of 19%) which relates to unutilised excess expenses. The deferred tax asset would only be recovered if the Company were to generate sufficient profits to utilise these expenses. It is considered highly unlikely that this will occur and therefore, no deferred tax asset has been recognised.

### 8. EARNINGS PER SHARE

The earnings per share figure is the profit attributable to shareholders and based on the following data:

	2019 £'000s
Revenue return	17,370
Capital loss	(265)
<b>Total return</b>	<b>17,105</b>
Weighted average number of shares in issue during the period	232,667,800
Revenue return per share	7.47
Capital loss per share	(0.12)
<b>Total profit per share</b>	<b>7.35</b>

### 9. DIVIDENDS

	Record date	Payment date	2019 £'000s
First interim dividend of 1.80p per share	7 Sep 18	21 Sep 18	4,217
Second interim dividend of 1.80p per share	30 Nov 18	21 Dec 18	4,151
Third interim dividend of 1.80p per share	8 Mar 19	29 Mar 19	4,137
			<b>12,505</b>

The Directors have declared a fourth quarterly dividend in respect of the period ended 31 March 2019 of 1.80p per share payable on 28 June 2019 to shareholders on the register at close of business on 7 June 2019. The total cost of the dividend, which has not been accrued in the results for the period to 31 March 2019, is £4,132,000 based on 229,562,473 shares in issue at the date of this report.

## 10. INVESTMENTS

	2019 £'000s
Cost of investments at beginning of period	-
Purchases at cost	1,231,627
Sales proceeds	(663,806)
Losses on investments sold in the period	(49,809)
Cost of investments at end of period	518,012
Net unrealised gain at end of period	51,122
<b>Valuation at 31 March 2019</b>	<b>569,134</b>
<b>Gains/(losses) on investments</b>	<b>2019 £'000</b>
Net loss on investments sold	(49,809)
Other capital charges	(42)
Movement in unrealised gain	51,122
<b>Total gains on investments</b>	<b>1,271</b>

### Subsidiary undertakings

Under IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the following are subsidiaries of the Company as at 31 March 2019, held as part of the investment portfolio, and are accounted for as investments at fair value through profit and loss.

	Country of registration and incorporation	Number and class of shares held	Holding and voting rights %	Fair value £'000s
Global Equity Risk Protection Limited <sup>(1)</sup>	Bermuda	3,920 Class B shares linked to a segregated account in GERP	100	2,426
UEM (HK) Limited <sup>(2)</sup>	Hong Kong	1,000 ordinary shares	100	-
UEM Mauritius Holdings Limited <sup>(3)</sup>	Bermuda	Loan	100	-

(1) A Bermuda segregated accounts company which was incorporated and commenced trading on 4 May 2006. The segregated account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The holding represents 100% of the issued Class B shares and has no voting rights.

(2) Incorporated on 26 January 2017 and commenced trading on 18 July 2017 to carry on business as an investment company.

(3) The terms of the loan agreement with UEM Mauritius Holdings Limited, the parent company of Utilico Emerging Markets (Mauritius), provides that UEM retains effective control of the company since it can only appoint directors with the approval of UEM. See note 24 for related party transactions. As at 31 March 2019 UEM Mauritius Holdings Limited has sufficient assets to liquidate the company. Any final distributions from the liquidation will be paid to UEM.

Within the period UEM Bermuda was also a subsidiary of the Company, see note 24, related party transactions.

### Associated undertakings

Under IFRS10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the following associated undertakings as at 31 March 2019 are held as part of the investment portfolio and consequently are accounted for as investments at fair value through profit and loss:

	East Balkan Properties plc	Pitch Hero Holdings Limited
Country of incorporation	Isle of Man	United Kingdom
Country of listing	Unlisted	Unlisted
Country of operations	Bulgaria & Romania	United Kingdom
Number of ordinary shares held	6,833	58,951
Percentage of ordinary shares held	23.6%	34.4%

# NOTES TO THE ACCOUNTS

## (continued)

Transactions with associated undertaking were as follows:

East Balkan Properties plc and Pitch Hero Holdings Limited were purchased from UEM Bermuda at fair value in the period.

### East Balkan Properties plc

During the period, East Balkan Properties plc made a tender offer in June 2018 for 33% of shares outstanding at £0.16 per share. It then made a 3000-for-1 share consolidation in November 2018, followed by a further tender offer in December 2018 for up to 2,000 shares at £500 per share. Following these transactions, UEM held 6,833 ordinary shares which represents 23.60% of shares outstanding as at 31 March 2019.

### Pitch Hero Holdings Limited ("Pitch Hero")

During the period, Pitch Hero acquired Teamer (Beamax Limited) in September 2018, for GBP 2.2m based on an 85%: 15% enterprise value split, and Pitch Hero valuation of GBP 12.5m. Pitch Hero's offer was in shares, with existing debtholders of Teamer being converted into Pitch Hero shares. Prior to the acquisition, UEM injected GBP 0.4m of cash and acquired 18,000 shares from two shareholders. After the acquisition, UEM acquired Pitch Hero shares for £0.8m, as all debtholders wished to exit the business. Following these transactions, UEM held 58,951 ordinary shares which represents 34.40% of shares outstanding as at 31 March 2019.

### Significant interests

In addition to the above, the Company has a holding of 3% or more of any class of share capital of the following undertakings, which are material in the context of the accounts:

	Country of registration and incorporation	Class of shares held	2019 % of class of instruments held
APT Satellite Holdings Limited	Hong Kong	Ordinary shares	4.32
Companhia de Gas de Sao Paulo	Brazil	Ordinary shares	5.41
Conpet S.A.	Romania	Ordinary shares	8.35
Ocean Wilsons Holdings Limited	Bermuda	Ordinary shares	5.65
Stalexport Autostrady	Poland	Ordinary shares	3.22
Umeme Limited	Uganda	Ordinary shares	5.45

## 11. CURRENT ASSETS

	2019 £'000s
<b>Other receivables</b>	
Accrued income	2,709
Sales for future settlement	3,965
Other debtors	119
	6,793
<b>Derivative financial assets</b>	£'000
Forward foreign currency contracts	77

## 12. CURRENT LIABILITIES

	2019 £'000s
<b>Other payables</b>	
Interest payable	3
Other creditors and accruals	1,631
Purchases awaiting settlement	4,004
	<b>5,638</b>

	2019 £'000s
<b>Derivative financial liabilities</b>	
Forward foreign currency contracts	124

## 13. BANK LOANS – NON-CURRENT LIABILITIES

	2019 £'000s
EUR 9m repayable April 2021	7,755

The Company has an unsecured committed senior multicurrency revolving facility of £50,000,000 with Scotiabank Europe PLC, expiring on 3 April 2021. Commitment fees are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

## 14. OPERATING SEGMENTS

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies operating and generating revenue in emerging markets and therefore no segmental reporting is provided.

## 15. ORDINARY SHARE CAPITAL

	Number	£'000
<b>Issued, called up and fully paid</b>		
<b>Ordinary shares of 1p each</b>		
Issue of ordinary shares	234,508,636	2,345
Purchased for cancellation by the Company	(4,696,163)	(47)
<b>Balance as at 31 March 2019</b>	<b>229,812,473</b>	<b>2,298</b>

On incorporation, the share capital of the Company was £1.00 represented by one ordinary share of nominal value £1 which was subdivided into 100 shares with a nominal value of 1p each on 14 February 2018. Following the scheme of arrangement (the "Scheme") to redomicile UEM Bermuda to the UK becoming effective and implemented in accordance with its terms on 3 April 2018, a further 234,508,536 ordinary shares were issued.

Upon the Company acquiring all of UEM Bermuda's shares pursuant to the Scheme, a merger reserve was created in the books of the Company which reflected the difference between the fair value of UEM Bermuda as at the implementation of the Scheme and the nominal value of the ordinary shares issued pursuant to the Scheme. £500m of the merger reserve was then capitalised by way of a bonus issue of a new class of redeemable deferred shares and all the redeemable deferred shares were then immediately redeemed and cancelled. This gave rise to a capital redemption reserve equal to the aggregate nominal value of the redeemed shares and a resolution to cancel the amount standing to the credit of the Company's capital redemption reserve was approved by a special resolution passed on 14 February 2018. Following the High Court of England and Wales approving on 15 May 2018 the Company's application to cancel this reserve, a special reserve was created which, together with the Company's accumulated capital and revenue reserves, can be used to pay dividends and buy back shares.



## NOTES TO THE ACCOUNTS (continued)

During the period the Company bought back for cancellation 4,696,163 ordinary shares at a total cost of £9,496,000. A further 250,000 ordinary shares have been purchased for cancellation at a total cost of £575,000 since the period end.

### 16. REDEEMABLE DEFERRED SHARES

	Number	£'000
Transfer on issue of redeemable deferred shares (see note 15 and 17)	50,000,000,000	500,000
Shares purchased by the Company (see note 15 and 18)	(50,000,000,000)	(500,000)
<b>Balance as at 31 March 2019</b>	-	-

### 17. MERGER RESERVE

	£'000s
Issue of ordinary shares (see note 15)	577,416
Transfer on issue of redeemable deferred shares (see note 15 and 16)	(500,000)
Fund launch fees	(710)
<b>Balance as at 31 March 2019</b>	76,706

### 18. CAPITAL REDEMPTION RESERVE

	£'000s
Shares purchased by the Company (see note 15 and 16)	500,000
Purchased for cancellation by the Company	47
Transfer to special reserve (see note 15 and 19)	(500,000)
<b>Balance as at 31 March 2019</b>	47

### 19. SPECIAL RESERVE

	£'000s
Transfer from Capital redemption reserve (see note 15 and 18)	500,000
Purchased for cancellation by the Company	(9,496)
<b>Balance as at 31 March 2019</b>	490,504

### 20. CAPITAL RESERVES

	Realised £'000s	Investment holding gains £'000s	Total £'000s
Realised losses on investments	(49,809)	-	(49,809)
Unrealised gains on investments	-	51,122	51,122
Gains on derivative instruments	2,306	-	2,306
Foreign exchange losses	(889)	-	(889)
Finance costs charged to capital	(246)	-	(246)
Expenses charged to capital	(2,731)	-	(2,731)
Sundry income	24	-	24
Other capital charges	(42)	-	(42)
<b>Balance as at 31 March 2019</b>	<b>(51,387)</b>	<b>51,122</b>	<b>(265)</b>

Included within the capital reserve movement for the period is £66,000 of dividend receipts recognised as capital in nature, £379,000 of transaction costs on purchases of investments and £131,000 of transaction costs on sales of investments.

## 21. REVENUE RESERVE

	£'000s
Revenue profit for the period	17,370
Dividend paid in the period	(12,505)
<b>Balance as at 31 March 2019</b>	<b>4,865</b>

## 22. NET ASSET VALUE PER SHARE

The net asset value per share is based on the net assets attributable to the equity shareholders of £574,155,000 and on 229,812,473 shares, being the number of shares in issue at the period end.

## 23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	7 December 2017 (date of incorporation) £'000	Transactions in the period £'000	Cashflow payments £'000	Foreign exchange gain £'000	Balance at 31 March 2019 £'000
Bank loan	-	-	7,844	(89)	7,755
Repurchase of shares for cancellation	-	9,496	(9,496)	-	-
Dividends paid	-	12,505	(12,505)	-	-
Loan from subsidiary	-	(150,125)	150,125	-	-
Fund launch fees	-	710	(710)	-	-
	-	(127,414)	135,258	(89)	7,755

## 24. RELATED PARTY TRANSACTIONS

The following are considered related parties of the Company: the subsidiary undertakings and the associates of the Company set out under note 10, the Board of UEM, ICM and ICMIM (the Company's joint portfolio managers), ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd.

On 23 February 2018, UEM Bermuda issued a circular proposing to re-domicile UEM Bermuda to the United Kingdom (the "Scheme"). Under the terms of the Scheme, Shareholders exchanged all their ordinary shares held in UEM Bermuda as at the Scheme Record Date for ordinary shares in the Company on a one for one basis, and UEM Bermuda became a wholly-owned subsidiary of the Company. As a result, the Company indirectly acquired all of UEM Bermuda's assets and liabilities (including its investment portfolio) upon the successful implementation of the Scheme.

The Scheme was approved by the shareholders of UEM Bermuda and became effective on 28 March 2018 when it was sanctioned by the Supreme Court of Bermuda. On 3 April 2018 234,508,636 ordinary shares of one penny each in the capital of the Company were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and trading in such ordinary shares on the London Stock Exchange's main market for listed securities became effective.

In the period, UEM Bermuda transferred to the Company, investments with an aggregate original cost of £385,736,000 and cash of £150,125,000 in exchange for a loan to the Company for the same amount. UEM Bermuda paid to the Company a

dividend of £7,765,000 reducing the loan by an equal amount. During the liquidation of UEM Bermuda, the intercompany loan was cancelled and UEM Bermuda was dissolved on 7 March 2019.

Included within the investments transferred from UEM Bermuda, a loan to UEM Mauritius Holdings Limited, the parent company of UEM (Mauritius), with a fair value of £30,920,000 was transferred to UEM. During the period a further £2,008,000 was advanced to UEM Mauritius Holdings Limited. Subsequently UEM (Mauritius) sold all its investments in the market to the Company and the loan was repaid to UEM. In the period UEM Mauritius Holdings Limited paid to the Company loan interest of £908,000.

During the period the Company made payments to its other subsidiaries as follows: to GERP £41,000 in settlement of investment transactions; and to UEM (HK) Limited £447,000 increasing the loan held with UEM (HK) Limited, an investment that was transferred from UEM Bermuda. As at 31 March 2019 the fair value of the loan was £5,543,000 and loan interest due to UEM was £478,000.

There were no transactions between the above associates and the Company other than transactions in the ordinary course of UEM's business. As detailed in the Directors' Remuneration Report on page 52, the Board received aggregate remuneration of £186,750 included within "Other expenses" for services as Directors. At the period end, £nil remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £94,564 during the period under review in respect of their shareholdings in the Company. There were no further transactions with the Board during the period.

# NOTES TO THE ACCOUNTS (continued)

There were no transactions with ICM, ICMIM, ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd, subsidiaries of ICM, other than investment management, secretarial costs, research fees and performance fees as set out in note 4, reimbursed expenses included within note 5 of £127,000 and dividends received by ICMIM of £19,852. At the period end no payment remained outstanding to ICM and ICMIM in respect of performance fees and £999,789 remained outstanding in respect of management, company secretarial and research fees.

## 25. GOING CONCERN

The financial statements have been prepared on a going concern basis. The Company's assets consist mainly of equity shares in quoted companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As at the period end, the Company had a £50m unsecured multicurrency loan facility with Scotiabank Europe PLC, expiring on 3 April 2021.

## 26. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, ICMIM, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on ICMIM's website at [www.icmim.limited](http://www.icmim.limited), Pillar 3 disclosure.

The Company's maximum and actual leverage as at 31 March 2019 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	300%	300%
Actual	111%	107%

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

## 27. SECURITIES FINANCING TRANSACTIONS ("SFT")

The Company has not, in the period from incorporation on 7 December 2017 to 31 March 2019, participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

## 28. FINANCIAL RISK MANAGEMENT

The Company's investment policy is to provide long-term total return by investing predominantly in the infrastructure and utility sectors, mainly in emerging markets. The Company seeks to meet its investment policy by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing the investment policy, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Managers, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below. The accounting policies which govern the reported statement of financial position carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with IFRS as adopted by the European Union and best practice and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

### (a) Market risks

The fair value of equity and other financial securities held in the Company's portfolio and derivative financial instruments fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's investment policy and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Managers assess exposure to market risks when making each investment decision and monitor on-going market risk within the portfolio of investments and derivatives. The Company's other assets and liabilities may be denominated in currencies other than Sterling and may also be exposed to interest rate risks. The Investment Managers and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in exchange rates. Gearing may be short or long-term, in Sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

## Currency exposure

The principal currencies to which the Company was exposed during the period are set out below. The exchange rates applying against Sterling at 31 March 2019, and the average rates during the period, were as follows:

	2019	Average
BRL Brazilian Real	5.0711	4.9648
HKD Hong Kong Dollar	10.2289	10.2928
INR Indian Rupee	90.2688	91.7302
PHP Philippine Peso	68.4232	69.4479
RON Romanian Leu	5.5466	5.2994
USD United States Dollar	1.3030	1.3125

The Company's assets and liabilities at 31 March 2019 (shown at fair value, except derivatives at gross exposure value), by currency based on the country of primary exposure, are shown below:

	BRL £'000s	HKD £'000s	INR £'000s	PHP £'000s	RON £'000s	USD £'000s	Other £'000s	Total £'000s
Current assets	570	116	993	124	-	12,454	4,278	18,535
Creditors	(2,136)	(116)	-	-	-	(28,351)	(9,626)	(40,229)
Foreign currency exposure on net monetary items	(1,566)	-	993	124	-	(15,897)	(5,348)	(21,694)
Investments held at fair value through profit or loss	131,061	91,511	32,604	46,852	35,637	58,196	130,401	526,262
<b>Total net foreign currency exposure</b>	<b>129,495</b>	<b>91,511</b>	<b>33,597</b>	<b>46,976</b>	<b>35,637</b>	<b>42,299</b>	<b>125,053</b>	<b>504,568</b>
<b>Percentage of net exposures</b>	<b>25.7%</b>	<b>18.1%</b>	<b>6.6%</b>	<b>9.3%</b>	<b>7.1%</b>	<b>8.4%</b>	<b>24.8%</b>	<b>100.0%</b>

Based on the financial assets and liabilities held, and exchange rates applying, at the statement of financial position date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on NAV per share:

	2019					
	BRL £'000s	HKD £'000s	INR £'000s	PHP £'000s	RON £'000s	USD £'000s
<b>Weakening of Sterling</b>						
Statement of comprehensive income return after tax						
Revenue return	234	98	-	99	-	299
Capital return	14,562	10,168	3,623	5,206	3,960	6,466
<b>Total return</b>	<b>14,796</b>	<b>10,266</b>	<b>3,623</b>	<b>5,305</b>	<b>3,960</b>	<b>6,765</b>
NAV per share						
Basic – pence	6.36	4.41	1.56	2.28	1.70	2.91
	2019					
	BRL £'000s	HKD £'000s	INR £'000s	PHP £'000s	RON £'000s	USD £'000s
<b>Strengthening of Sterling</b>						
Statement of comprehensive income return after tax						
Revenue return	(234)	(98)	-	(99)	-	(299)
Capital return	(14,562)	(10,168)	(3,623)	(5,206)	(3,960)	(6,466)
<b>Total return</b>	<b>(14,796)</b>	<b>(10,266)</b>	<b>(3,623)</b>	<b>(5,305)</b>	<b>(3,960)</b>	<b>(6,765)</b>
NAV per share						
Basic – pence	(6.36)	(4.41)	(1.56)	(2.28)	(1.70)	(2.91)



## NOTES TO THE ACCOUNTS (continued)

### Interest rate exposure

	Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates			
Cash	11,668	–	11,668
Loans	–	(7,755)	(7,755)
	11,668	(7,755)	3,913

Exposures vary throughout the period as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts and loans is at ruling market rates. The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held and the interest rates pertaining at each statement of financial position date, a relative decrease or increase in market interest rates by 2% would have had the following approximate effects on the income statement revenue and capital returns after tax and on the NAV per share.

	2% Increase in rate £'000s	2% Decrease in rate £'000s
Revenue return	187	(187)
Capital return	(109)	109
<b>Net assets</b>	<b>78</b>	<b>(78)</b>

### Other market risk exposures

The portfolio of investments, valued at £569,134,000 as at 31 March 2019 is exposed to market price changes.

Based on the portfolio of investments at the statement of financial position date and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the Statement of comprehensive income capital return after tax and on the basic NAV per share:

	2019 Increase in value	2019 Decrease in value
Statement of comprehensive income capital return £'000s	101,629	(113,309)
NAV per share		
Basic – pence	44.22	(49.30)

### (b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant given: the number and value of quoted liquid investments held in the Company's portfolio (84 valued at £546m at 31 March 2019); and the existence of the Scotiabank Europe PLC loan facility agreement expiring on 3 April 2021.

Cash balances are held with reputable banks.

The Investment Managers review liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Company had a loan facility of £50m as set out in note 13. The remaining contractual maturities of the financial liabilities at 31 March 2019, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
<b>Creditors:</b>				
Bank loans and interest	31	85	7,870	7,986
Other payables	5,638	-	-	5,638
Derivative financial instruments	124	-	-	124
	<b>5,790</b>	<b>85</b>	<b>7,870</b>	<b>13,745</b>

#### (c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Board approves all counterparties used by the Company in such transactions, which must be settled on the basis of delivery against payment (except where local market conditions do not permit). A list of pre-approved counterparties is maintained and regularly reviewed by ICMIM, by Waverton and by the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with reputable banks.

The Company has an on-going contract with its custodians for the provision of custody services. The contracts are reviewed regularly.

Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that the Investment Managers and Waverton carry out duties (or cause similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the Investment Managers.

None of the Company's financial assets is past due or impaired.

#### (d) Fair value of financial assets and financial liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the statement of financial position at fair value, or at a reasonable approximation thereof. Borrowings under the loan facility do not have a value materially different from their capital repayment amounts. Borrowings in foreign currencies are converted into Sterling at exchange rates ruling at each valuation date.

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments. The Directors regularly review the principles applied by the Investment Managers to those valuations to ensure they comply with the Company's accounting policies and with fair value principles.

# NOTES TO THE ACCOUNTS

## (continued)

### 29. FAIR VALUE HIERARCHY

IFRS 13 'Financial Instruments: Disclosures' require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

As at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	527,346	19,097	22,691	569,134
Forward foreign currency contracts – assets	–	77	–	77
Forward foreign currency contracts – liabilities	–	(124)	–	(124)
	527,346	19,050	22,691	569,087

A reconciliation of fair value measurements in level 3 is set out in the following table:

	£'000
Opening balance	–
Purchases	645,377*
Sales	(572,504)*
Losses on investments sold in the period	(49,844)
Losses on investments held at end of period	(338)
<b>Balance as at 31 March 2019</b>	<b>22,691</b>

Analysed as at 31 March 2019

Cost	23,029
Losses	(338)
<b>Valuation</b>	<b>22,691</b>

\*Includes investment in UEM Bermuda

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General Meeting of Utilico Emerging Markets Trust plc will be held at The Royal Society of Chemistry, Burlington House, Piccadilly, London W1J 0BA on Tuesday, 17 September 2019 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed in the case of resolutions 1 to 11, as ordinary resolutions and, in the case of resolutions 12 and 13, as special resolutions).

## ORDINARY BUSINESS

1. To receive and adopt the report of the Directors of the Company and the financial statements for the period ended 31 March 2019, together with the report of the auditor thereon.
2. To approve the Directors' Remuneration Policy
3. To approve the Directors' Remuneration Report for the period ended 31 March 2019.
4. To approve the Company's dividend policy to pay four interim dividends per year.
5. To elect Mr Rennocks as a Director.
6. To elect Mr Milne as a Director.
7. To elect Ms Hansen as a Director.
8. To elect Mr Muh as a Director.
9. To re-appoint KPMG LLP as auditor to the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
10. To authorise the Audit Committee to determine the auditor's remuneration.

## SPECIAL BUSINESS

### Ordinary resolution

11. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") up to an aggregate nominal amount of £114,750 (being 5% of the aggregate nominal amount of the issued share capital excluding treasury shares of the Company as at the date of this notice) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company

to be held in 2020 but so that the Company may, at any time before such expiry, make any offer or agreement which would or might require Securities to be allotted after such expiry pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

### Special Resolutions

12. That, in substitution for all existing authorities and subject to the passing of resolution 11, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) pursuant to the authority granted by resolution 11, and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash, as if section 561(1) of the Act did not apply to any such allotments or sales of equity securities, provided that this power:
  - (a) shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2020, except that the Company may at any time before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell equity securities in pursuance of such offers or agreements;
  - (b) shall be limited to the allotment of equity securities and/or sale of equity securities held in treasury for cash up to an aggregate nominal amount of £114,750 (representing 5% of the aggregate nominal amount of the issued share capital, excluding treasury shares of the Company as at the date of this notice); and
  - (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per share as close as practicable to the relevant allotment or sale.
13. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 1p in the Company ("Shares"), the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases of Shares (within the meaning of section 693 of the Act), provided that:



# NOTICE OF ANNUAL GENERAL MEETING (continued)

- (a) the maximum number of Shares hereby authorised to be purchased is 34,410,000 (being 14.99% of the Company's issued ordinary share capital, excluding treasury shares as at the date of this notice);
- (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1p being the nominal value per share;
- (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of: (i) 5% above the average of the market value of a Share for the five business days immediately preceding the date of purchase as derived from the Daily Official List of the London Stock Exchange; and (ii) the higher of the price quoted for (a) the last independent trade of; and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and
- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2020 save that the Company may, at any time prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry and the Company may purchase Shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

All Shares purchased pursuant to the above authority shall be either: (i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or (ii) cancelled immediately upon completion of the purchase.

By order of the Board  
**ICM Investment Management Limited**  
Company Secretary

13 June 2019

Registered Office:  
The Cottage, Ridge Court  
The Ridge  
Epsom, Surrey KT18 7EP

## NOTES:

- 1. A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
- 2. To appoint a proxy you may use the form of proxy enclosed with this annual report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by not later than 12:00 noon on 13 September 2019. Amended instructions must also be received by the Company's registrar by the deadline for receipt of forms of proxy. Alternatively, you can vote or appoint a proxy electronically by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 12:00 noon on 13 September 2019. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on +44 (0370) 707 1375 or you may photocopy the form of proxy. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms of proxy must be signed and should be returned together in the same envelope.
- 3. Completion and return of the form of proxy will not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
- 4. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only ordinary shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and

the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.

5. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
6. Pursuant to Regulation 41 (1) of The Uncertificated Securities Regulations 2001 and for the purposes of section 360B of the Companies Act 2006, the Company has specified that only shareholders registered on the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of the ordinary shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 12:00 noon on 13 September 2019. Instructions on how to vote through CREST can be found by accessing the following website: [euroclear.com/CREST](http://euroclear.com/CREST). Shareholders are advised that CREST and the internet are the only

methods by which completed proxies can be submitted electronically.

9. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 12:00 noon on 13 September 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of The Uncertificated Securities Regulations 2001.
10. If the Chairman, as a result of proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and Financial Conduct Authority. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
11. Any questions relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006,

# NOTICE OF ANNUAL GENERAL MEETING

## (continued)

the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.
13. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14. As at 13 June 2019 (being the last practicable date prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital consisted of 229,562,473 ordinary shares of 1p each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total voting rights in the Company as at the date of this report are 229,562,473.
15. Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting, can be accessed at [www.uemtrust.co.uk](http://www.uemtrust.co.uk).

16. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

17. Copies of the letters of the appointment and deeds of indemnity between the Company and the Directors, a copy of the articles of association of the Company and the register of the Directors' holdings will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date of the meeting from 15 minutes prior to commencement of the meeting and the conclusion thereof.

18. Under sections 338 and 338A of the Companies Act 2006, members meeting with the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless:

- a. (in the case of a resolution only), it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
- b. it is defamatory of any person; or
- c. it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 5 August 2019 (being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

19. Any electronic address provided either in this notice or in any related documents (including the form of proxy) may not be used to communicate with the Company for any purpose other than those expressly stated.

# COMPANY INFORMATION

## DIRECTORS

John Rennocks (Chairman)  
Garth Milne (Deputy Chairman)  
Susan Hansen  
Garry Madeiros OBE (Chairman of the Audit Committee)  
Anthony Muh

## REGISTERED OFFICE

The Cottage  
Ridge Court  
The Ridge  
Epsom  
Surrey KT18 7EP  
Company Registration Number: 11102129  
Legal Entity Identifier: 2138005TJMCWR2394O39

## AIFM, JOINT PORTFOLIO MANAGER AND COMPANY SECRETARY

ICM Investment Management Limited  
PO Box 208  
Epsom  
Surrey KT18 7YF  
Telephone +44 (0)1372 271486  
Authorised and regulated in the UK by the Financial Conduct Authority

## JOINT PORTFOLIO MANAGER

ICM Limited  
34 Bermudiana Road  
Hamilton HM 11  
Bermuda

## ADMINISTRATOR

JPMorgan Chase Bank N.A. – London Branch  
25 Bank Street  
Canary Wharf  
London E14 5JP  
Authorised and regulated in the UK by the Financial Conduct Authority

## BROKER

Shore Capital Markets Limited  
100 Wood Street  
London EC2V 7AN  
Authorised and regulated in the UK by the Financial Conduct Authority

## LEGAL ADVISER TO THE COMPANY

Norton Rose Fulbright LLP  
3 More London Riverside  
London SE1 2AQ

## AUDITOR

KPMG LLP  
15 Canada Square  
London E14 5GL  
Member of the Institute of Chartered Accountants in England and Wales

## DEPOSITARY SERVICES PROVIDER

JP Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

## CUSTODIAN

JPMorgan Chase Bank N.A. – London Branch  
25 Bank Street  
Canary Wharf  
London E14 5JP

## REGISTRAR

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE  
Telephone +44 (0370) 707 1375

## COMPANY BANKER

Scotiabank Europe PLC  
201 Bishopsgate, 6th Floor  
London EC2M 3NS

## PUBLIC RELATIONS

Montford Communications Limited  
2nd Floor, Berkeley Square House  
Berkeley Square  
Mayfair  
London W1J 6BD  
Telephone + 44 (0)20 7887 6287

## ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority defines an Alternative Performance Measure ("APM") as being a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The Company uses the following APMs:

**Discount/Premium** – if the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading at a price above NAV per share are said to be at a premium. As at 31 March 2019 the share price was 217.90p and the net asset value per share was 249.84p, the discount was therefore 12.8%.

**Gearing** – represents the excess amount above shareholders' funds of gross assets less current liabilities expressed as a percentage of the shareholders funds (see page 9).

**NAV per share** – the value of the Company's net assets divided by the number of shares in issue (see note 22).

**NAV/share price total return** – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the NAV or share price in the period. The dividends are assumed to have been re-invested in the form of net assets or shares, respectively, on the date on which the dividends were paid.

2019	Dividend rate (pence)	NAV (pence)	Share price (pence)
31 March 2018	n/a	247.22	212.00
21 September 2018	1.80	230.13	199.86
21 December 2018	1.80	230.69	198.10
29 March 2019	1.80	249.84	217.90
31 March 2019	n/a	249.84	217.90
Total return (%)		3.5	5.4

**Annual compound NAV total return since inception** – the annual return to shareholders calculated on a per share basis by adding dividends paid in the period and adjusting for the exercise of warrants and subscription shares in the period to the increase or decrease in the NAV in the period. The dividends are assumed to have been re-invested in the form of net assets on the date on which the dividends were paid. The adjustment for the exercise of warrants

and subscription shares is made on the date the warrants and subscription shares were exercised.

### Annual compound

NAV 20 July 2005 (pence) <sup>(1)</sup>	98.36
Total dividend, warrants and subscription shares adjustment factor	1.65393
NAV 31 March 2019 (pence)	249.84
Adjusted NAV at 31 March 2019 (pence)	413.22
Annual compound NAV total return since inception	11.0

<sup>(1)</sup> Date of admission to trading on Alternative Investment Market of UEM Bermuda

**Ongoing charges** – all operating costs expected to be regularly incurred and that are payable by the Company or suffered within underlying investee funds, expressed as a proportion of the average weekly net asset values of the Company (valued in accordance with its accounting policies) over the reporting period. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing shares.

Ongoing charges calculation (including and excluding performance fees)	Page	2019 £'000s
Management and administration fees	65	4,234
Other expenses	65	1,644
Total expenses for ongoing charges calculation		5,878 a

Average weekly net asset values of the Company 561,273 b

Ongoing Charges 9 1.0% a/b



# HISTORICAL PERFORMANCE

as at 31 March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NAV total return per ordinary share <sup>(1)</sup> (annual) (%)	<b>3.5</b>	6.6	26.2	1.7	12.4	(3.4)	20.9	3.4	19.5	51.1	(32.9)
Share price total return per ordinary share <sup>(1)</sup> (annual) (%)	<b>5.4</b>	7.1	24.9	(1.8)	8.2	(2.6)	20.8	7.4	28.6	43.7	(34.7)
Annual compound NAV total return <sup>(1)</sup> (since inception) (%)	<b>11.0</b>	11.7	12.1	10.9	11.9	11.8	13.9	12.9	14.7	13.7	5.3
Undiluted NAV per ordinary share <sup>(1)</sup> (pence)	<b>249.84</b>	247.22	251.72	206.45	209.79	192.38	205.49	175.60	175.28	157.33	107.76
Diluted NAV per ordinary share (pence)	<b>249.84 <sup>(2)</sup></b>	247.22 <sup>(2)</sup>	241.29	202.52	209.79 <sup>(2)</sup>	192.38 <sup>(2)</sup>	205.49 <sup>(2)</sup>	175.60 <sup>(2)</sup>	175.28 <sup>(2)</sup>	148.37	106.51
Ordinary share price (pence)	<b>217.90</b>	212.00	214.50	178.50	188.50	180.00	191.20	164.00	157.75	132.00	95.50
Discount (%)	<b>(12.8)</b>	(14.2)	(11.1) <sup>(3)</sup>	(11.9) <sup>(3)</sup>	(10.1)	(6.4)	(7.0)	(6.6)	(10.0)	(11.0) <sup>(3)</sup>	(10.3) <sup>(3)</sup>
Earnings per ordinary share (basic)											
– Capital (pence)	<b>(0.12)</b>	4.66	44.46	(5.50)	18.53	(12.13)	30.71	1.19	25.63	48.57	(60.28)
– Revenue (pence)	<b>7.47</b>	9.27	7.80	8.23	4.98	4.80	5.20	4.12	5.61	4.67	5.08
Total (pence)	<b>7.35</b>	13.93	52.26	2.73	23.51	(7.33)	35.91	5.31	31.24	53.24	(55.20)
Dividends per ordinary share (pence)	<b>7.20</b>	7.00	6.65	6.40	6.10	6.10	5.80	5.50	5.20	4.80	4.80
Gross assets <sup>(4)</sup> (£m)	<b>581.9</b>	579.8	579.0	455.2	479.2	433.4	452.1	382.9	393.4	344.5	272.5
Equity holders' funds (£m)	<b>574.2</b>	579.8	532.2	436.6	447.4	410.2	442.9	378.5	383.2	319.9	230.7
Ordinary shares bought back (£m)	<b>9.5</b>	21.9	10.0	3.0	–	3.9	–	4.9	11.5	16.0	0.2
Cash/ (overdraft) (£m)	<b>11.7</b>	8.1	15.3	12.6	0.5	(0.9)	2.6	(1.8)	(0.7)	2.0	24.1
Bank debt (£m)	<b>(7.8)</b>	0.0	(46.8)	(18.7)	(31.9)	(23.1)	(9.2)	(4.4)	(10.2)	(24.7)	(41.8)
Net cash/(debt) (£m)	<b>3.9</b>	8.1	(31.5)	(6.1)	(31.4)	(24.0)	(6.6)	(6.2)	(10.9)	(22.7)	(17.7)
Net cash/(debt) gearing on net assets (%)	<b>0.7</b>	1.4	(5.9)	(1.4)	(7.0)	(5.9)	(1.5)	(1.6)	(2.8)	(7.1)	(7.7)
Management and administration fees and other expenses											
– excluding performance fee (£m)	<b>5.9</b>	5.7	5.2	4.5	4.6	3.7	3.4	3.9	3.1	2.5	2.7
– including performance fee (£m)	<b>5.9</b>	5.7	14.3	4.5	7.7	3.7	12.9	3.6	9.6	2.5	2.7
Ongoing charges figure <sup>(1)</sup>											
– excluding performance fee (%)	<b>1.0</b>	1.0	1.1	1.1	1.1	0.9	0.8	0.9	0.8	0.8	0.7
– including performance fee (%)	<b>1.0</b>	1.0	2.9	1.1	1.8	0.9	3.2	0.9	2.5	0.8	0.7

(1) See Alternative Performance Measures on page 90

(2) There was no dilution

(3) Based on diluted NAV

(4) Gross assets less liabilities excluding loans

Prior year figures relate to UEM Bermuda

## EMERGING CITIES | EMERGING WEALTH | EMERGING OPPORTUNITIES



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