



Templeton Emerging
Markets Investment Trust
*Your future is **emerging***



FRANKLIN
TEMPLETON



Templeton Emerging Markets Investment Trust plc

Annual Report and Audited Accounts
to 31 March 2022



Contents

Company Overview	1	Independent Auditor's Report	69
Strategic Report	2	Financial Statements	77
Financial Summary	2	Statement of Comprehensive Income	77
Ten Year Record	3	Statement of Financial Position	78
Chairman's Statement	5	Statement of Changes in Equity	79
The Investment Manager	8	Statement of Cash Flows	80
Portfolio Report	9	Notes to the Financial Statements	82
The Investment Manager's Process	24	Securities Financing Transactions	100
Business Review	31	Investor Information	102
Report of the Directors and Governance	45	Notice of Meeting	102
Directors' Report	45	Investor Communications	107
Directors' Remuneration Report	58	General Information	108
Report of the Audit and Risk Committee	62	Shareholder Information	109
Statement of Directors' Responsibilities	68	Glossary of Alternative Performance Measures	111

Company Overview

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

TEMIT has a diversified portfolio of around 80 high quality companies, actively selected for their long-term growth potential and sustainable earnings, and with due regard to environmental, social and governance (“ESG”) attributes. TEMIT’s research-driven investment approach and strong long-term performance has helped it to grow to be the largest emerging markets investment trust in the UK, with assets of £2.1 billion as at 31 March 2022. From its launch to 31 March 2022, TEMIT’s net asset value (“NAV”) total return was +3,813.9% compared to the benchmark total return of +1,792.0%.

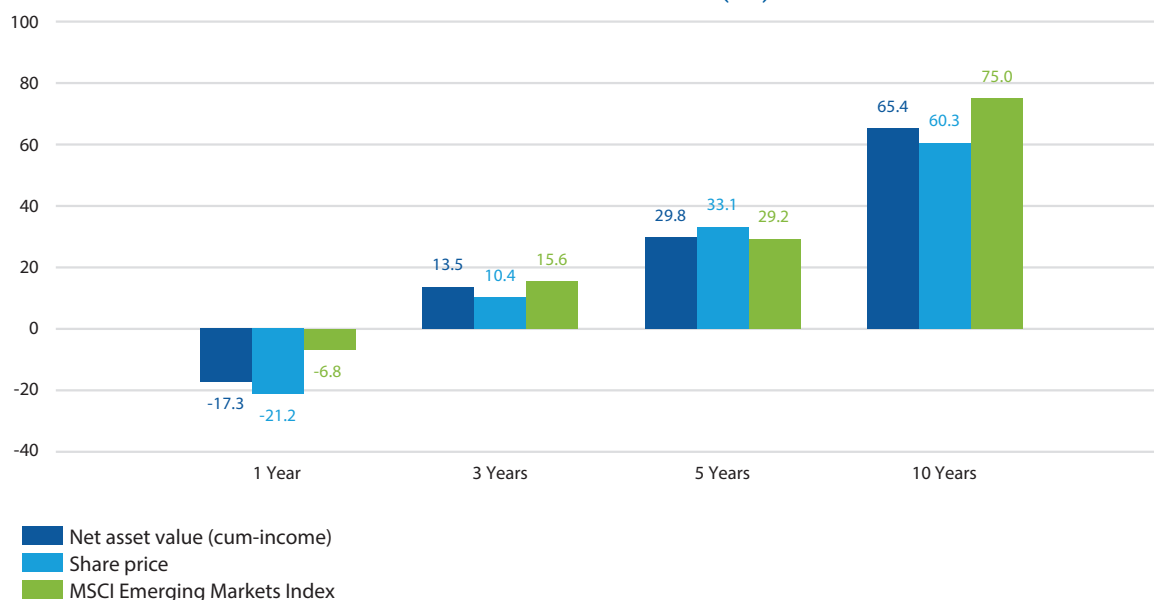
The Company is governed by a Board of Directors who are committed to ensuring that shareholders’ best interests, considering the wider community of stakeholders, are at the forefront of all decisions. Under the guidance of the Chairman, the Board of Directors is responsible for the overall strategy of the Company and monitoring its performance.

TEMIT at a glance

For the year to 31 March 2022

Net asset value total return (cum-income) ^(a)	Share price total return ^(a)	MSCI Emerging Markets Index total return ^{(a)(b)}	Proposed total ordinary dividend ^(c)
-17.3%	-21.2%	-6.8%	3.80p
(2021: 54.5%)	(2021: 59.5%)	(2021: 42.8%)	(2021: 3.80p) ^{(d)(e)}

Cumulative Total Return to 31 March 2022 (%)



^(a) A glossary of alternative performance measures is included on pages 111 and 112.

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

^(c) An annual ordinary dividend of 3.80 pence per share for the year ended 31 March 2022 has been proposed. This comprises the interim dividend of 1.00 pence per share paid by the Company on 10 January 2022 and the proposed final dividend of 2.80 pence per share.

^(d) In addition to the ordinary dividend of 3.80p, a special dividend of 2.00p was paid for the year ended 31 March 2021.

^(e) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2022, which incorporates the Chairman's Statement, and has been prepared in accordance with the Companies Act 2006.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed in their duty to promote the success of the Company for shareholders' collective benefit, and having regard for the interests of all stakeholders, by bringing together in one place key information about the Company's strategy, the risks it faces, how it is performing and the outlook.

Financial Summary

2021–2022

	Notes	Year ended 31 March 2022	Year ended 31 March 2021	Capital return %	Total return %
Total net assets (£ millions)		2,100.4	2,591.3		
Net asset value (pence per share)	(a)(b)	178.2	219.4	(18.2)	(17.3)
Highest net asset value (pence per share)	(b)	223.9	235.6		
Lowest net asset value (pence per share)	(b)	161.0	141.2		
Share price (pence per share)	(a)(b)	156.4	202.4	(22.2)	(21.2)
Highest end of the day share price (pence per share)	(b)	208.0	214.4		
Lowest end of the day share price (pence per share)	(b)	140.6	127.2		
MSCI Emerging Markets Index	(a)			(9.1)	(6.8)
Share price discount to net asset value at year end	(a)	12.2%	7.7%		
Average share price discount to net asset value over the year		9.5%	11.1%		
Ordinary dividend (pence per share)	(b)(c)	3.80	3.80		
Special dividend (pence per share)	(b)	–	2.00		
Revenue earnings (pence per share)	(b)(d)	3.44	5.73		
Capital earnings (pence per share)	(b)(d)	(40.90)	72.73		
Total earnings (pence per share)	(b)(d)	(37.46)	78.46		
Net gearing	(a)	1.1%	0.5%		
Ongoing charges ratio	(a)	0.97%	0.97%		

Source: Franklin Templeton and FactSet.

- (a) A glossary of alternative performance measures is included on pages 111 and 112.
- (b) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.
- (c) An annual dividend of 3.80 pence per share for the year ended 31 March 2022 has been proposed. This comprises the interim dividend of 1.00 pence per share paid by the Company on 10 January 2022 and a proposed final dividend of 2.80 pence per share.
- (d) The revenue, capital and total earnings per share figures are shown in the Statement of Comprehensive Income on page 77 and Note 7 of the Notes to the Financial Statements.

Ten Year Record

2012–2022

Year ended	Total net assets (£m)	NAV ^(a) (pence per share)	Share price ^(a) (pence per share)	Year-end discount ^(b) (%)	Revenue earnings ^(a) (pence per share)	Annual dividend ^(a) (pence per share)	Ongoing charges ratio ^(b) (%)
31 March 2012	2,098.6	127.3	117.7	7.5	1.58	1.15	1.31
31 March 2013	2,302.7	140.5	128.1	8.2	1.69	1.25	1.30
31 March 2014	1,913.6	118.4	105.4	10.9	1.83	1.45	1.30
31 March 2015	2,045.0	128.2	111.2	13.3	1.86	1.65	1.20
31 March 2016	1,562.3	104.8	90.8	13.4	1.41	1.65	1.22
31 March 2017	2,148.1	152.6	132.3	13.3	1.32	1.65	1.20
31 March 2018	2,300.8	169.2	148.6	12.2	3.18	3.00	1.12
31 March 2019	2,118.2	168.5	153.2	9.1	3.45	3.20	1.02
31 March 2020	1,775.7	146.5	131.4	10.3	4.88	3.80 ^(c)	1.02
31 March 2021	2,591.3	219.4	202.4	7.7	5.73	3.80 ^(c)	0.97
31 March 2022	2,100.4	178.2	156.4	12.2	3.44	3.80 ^(d)	0.97

Ten year growth record^(e)

2012–2022

Year ended	NAV	NAV total return ^(b)	Share price	Share price total return ^(b)	MSCI Emerging Market Index total return	Revenue earnings per share-undiluted	Ordinary dividend per share
31 March 2012	100.0	100.0	100.0	100.0	100.0	100.0	100.0
31 March 2013	110.4	111.1	108.8	110.0	107.7	107.0	108.7
31 March 2014	93.0	94.9	89.5	91.6	97.0	115.8	126.1
31 March 2015	100.7	104.0	94.5	97.9	109.8	117.7	143.5
31 March 2016	82.3	86.3	77.1	81.2	100.1	89.2	143.5
31 March 2017	119.9	127.5	112.4	120.5	135.4	83.5	143.5
31 March 2018	132.9	143.3	126.3	137.0	151.3	201.3	260.9
31 March 2019	132.4	145.8	130.2	145.2	151.4	218.4	278.3
31 March 2020	115.1	129.5	111.6	127.6	131.5	308.9	330.4
31 March 2021	172.3	200.1	172.0	203.5	187.8	362.7	330.4
31 March 2022	140.0	165.4	132.9	160.3	175.0	217.7	330.4

Source: Franklin Templeton and FactSet.

^(a) Comparative figures for financial years 2012 to 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

^(b) A glossary of alternative performance measures is included on pages 111 and 112.

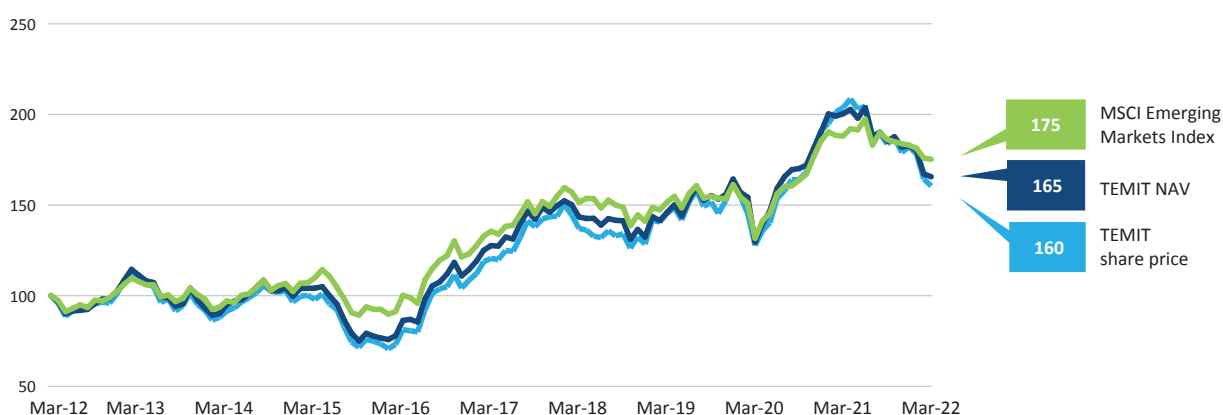
^(c) Excludes the special dividend of 0.52 pence per share for the year ended March 2020 and the special dividend of 2.00 pence per share for the year ended March 2021.

^(d) An annual ordinary dividend of 3.80 pence per share for the year ended 31 March 2022 has been proposed. This comprises the interim dividend of 1.00 pence per share paid by the Company on 10 January 2022 and a proposed final dividend of 2.80 pence per share.

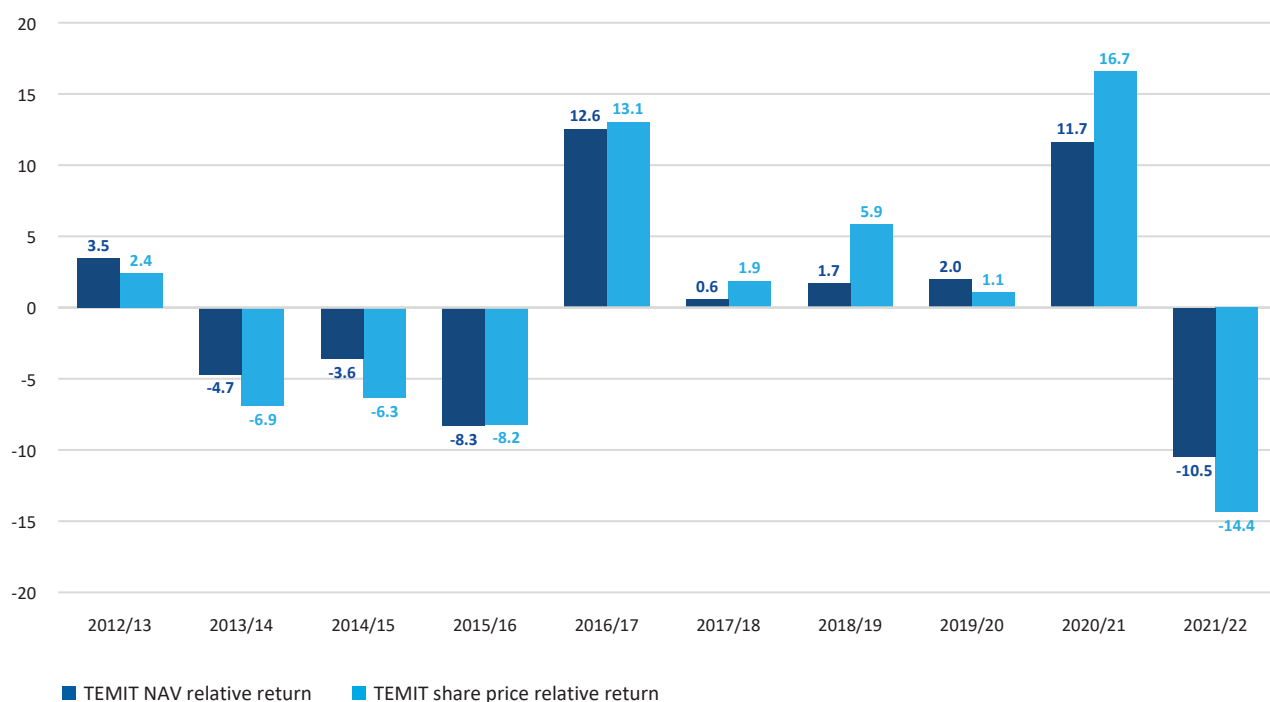
^(e) Rebased to 100 at 31 March 2012.

Ten Year Record (continued)

2012–2022 NAV, share price and benchmark total return^(a)



Annual NAV and share price total return relative to the benchmark total return (%)^(b)



(a) Rebased to 100 at 31 March 2012.

(b) Periods are TEMIT reporting periods to 31 March.

Chairman's Statement

I would like to start by expressing the sympathy of the Board and of all of those involved with the management of TEMIT to all victims of the Russian invasion of Ukraine.

Market overview and investment performance^(a)

Last year I had the pleasure of reporting a fifth consecutive year of out-performance of our benchmark index. The year under review was much more challenging. In the first half of our accounting year news in emerging markets was dominated by pressure on the share prices of some technology companies. This came after an extended period of strong performance and the Chinese government's moves to curtail the activities of some listed companies as it seeks to balance growth, equality and security. Both of these factors had a negative impact on the performance of our portfolio over the 12 months under review. This was followed in February by the Russian invasion of Ukraine. Russian securities were rapidly suspended from trading and at our financial year end the five Russian stocks in TEMIT's portfolio were ascribed a zero value. The combination of events in China and Russia and the weakness of technology stocks led to TEMIT underperforming its benchmark by quite some margin, with a total return of -17.3%.

The Board takes a close interest in the performance of the portfolio and we are naturally disappointed by investment performance in recent months. We meet formally with the Investment Manager at least four times per year and in the first quarter of each year conduct an in-depth review of investment strategy with the portfolio managers and supporting analysts. Franklin Templeton has a large emerging markets team and the Board this year spent time with several regional experts in order better to understand the construction of the portfolio. While we are concerned by recent performance, the Board is reassured by both the quantity of resources and the quality of the insights that the team produces and is confident that performance will turn around in due course.

Environmental, social and governance

There is a growing interest by investors in the various aspects of companies' approaches to the environment, to social matters and to good governance. Effective stewardship of the Company's assets is a key element of the Board's strategy for the Company. Consideration of governance and sustainability issues has long been an integral part of our Investment Manager's approach and information and key disclosures are included in the description of the Investment Manager's process, starting on page 24. In order to explain in more detail their approach to this important topic they have published a Stewardship Report for TEMIT, which is available at www.temit.co.uk. This Report sets out the general approach to investing your Company's assets, relevant statistical information and examples of engagement with investee companies. I encourage you to download a copy.

Revenue and dividend

Net revenue earnings for the period under review amounted to 3.44 pence per share. This is marginally lower than earnings for the prior year, adjusted for the stock split and the exceptional Corporation Tax refund received in the prior year. An interim dividend of 1.00 pence per share was paid in January 2022 and the Board recommends a final dividend of 2.80 pence per share, both amounts being unchanged from last year after accounting for the share split. TEMIT has large revenue reserves amounting to 10.01 pence per share and the Board believes that it is appropriate to use a small part of these reserves to maintain the annual ordinary dividend at the same level as last year. As usual, shareholders will be asked to approve the final dividend at the Annual General Meeting ("AGM").

^(a) The share split which was approved by shareholders at the 2021 Annual General Meeting took effect on 26 July 2021 and all of the numbers quoted in this report take account of the fact that each existing share was replaced by five new shares.

Chairman's Statement (continued)

Asset allocation and borrowing

TEMIT has fixed borrowing of £100 million, and a revolving credit facility under which up to £120 million in flexible debt may be drawn down. The Investment Manager has taken a cautious view on borrowing, which has proven correct in difficult markets. Gearing was increased during the year under review as £50 million was drawn down under the revolving credit facility in October 2021. As at the financial year end, gearing net of cash in the portfolio stood at 1.1%. I would like to remind shareholders that the level of debt deployed is not a result of views on market direction but driven by investment opportunities presented by individual companies.

Share rating

We remain active in promoting TEMIT's shares to a wide variety of existing and potential investors, particularly private investors. The Board believes that promoting the Company to new investors is good for its long-term health, while the demand created also helps to exert pressure on the discount. We have a substantial marketing budget, which is also supported by a financial contribution from Franklin Templeton and by their marketing resources. As we noted in our half year report for the second consecutive year we won the award in the "Emerging Markets Equity – Active" category in the prestigious AJ Bell Fund and Investment Trust Awards 2021. This award is made on the basis of voting from private investors from a short list of open-ended funds, ETFs and investment trusts drawn up by investment experts. TEMIT also won the prestigious Best Campaign Award at the AIC Shareholder Awards 2022 in recognition of the quality of the "Your future is emerging" campaign undertaken to attract new shareholders. The innovative use of broadcast media has helped to increase TEMIT's profile, advertise the benefits of the Company and communicate the growth story of emerging markets to a wider audience.

The Board continues to regard share buybacks as a key tool in managing the balance between supply and demand for the shares. Trading in the shares is very closely monitored and the Board receives a daily report from our broker, Winterflood Securities, as well as regular summaries of market conditions focused on investor demand for global emerging markets funds. Based on the detailed information that we receive, the Board continues to believe that we have ample evidence that the driver of changes in the discount is the balance between supply and demand for the shares. In the Chairman's Statement at the half year stage I noted that the discount had been narrow and in the event we made only one buyback in the first 11 months of our financial year, that being in September 2021. The situation changed dramatically following the Russian invasion of Ukraine and we stepped in on a number of occasions to buy back shares in March 2022 and have continued to do so after the year end.

In total over the year, £3.6 million was spent on share buybacks and, as all buybacks were at a discount to the prevailing NAV, this resulted in an increase to the NAV of 0.03% to the benefit of remaining shareholders.

The Board

As reported last year, Magdalene Miller was appointed as a non-executive Director of the Company with effect from 10 May 2021.

Beatrice Hollond will retire from the Board at this year's AGM. On behalf of all the Directors, I would like to record our thanks to Beatrice for her advice and wise contributions to our discussions over the last eight years.

After Beatrice retires, Simon Jeffreys will take on role of Senior Independent Director. The search for a replacement Director is in progress bearing in mind gender diversity and we plan to make an announcement shortly.

AIFM fee

We announced in November 2021 that the Board has agreed with Franklin Templeton that with effect from 1 July 2022 the AIFM fee will reduce to:

Chairman's Statement (continued)

- 1.0% on the first £1 billion of net assets;
- 0.75% on net assets between £1 billion and £2 billion; and
- 0.5% on net assets over £2 billion.

This compares with the current fee structure of 1.0% on the first £1 billion of assets and 0.80% on assets above £1 billion. Based on net assets as at 31 March 2022, this results in an annual saving to the Company of £0.8 million.

The management fee rate has gradually been reduced over recent years and the Board is mindful of the balance between controlling costs and incentivising the Investment Manager to continue to invest in their team.

Annual General Meeting

Having been obliged to hold the last two years' AGMs behind closed doors, I am pleased to be able to invite all shareholders to attend our AGM in person on 14 July 2022 at Barber-Surgeons' Hall in London. We look forward to welcoming shareholders at the meeting. While we hope that shareholders will be able to attend, the Directors are aware that Government guidance and regulation relating to the COVID-19 pandemic may change. If we are obliged to change the arrangements for the AGM after publishing this document, details will be published via Stock Exchange announcements in London and New Zealand and our website. Shareholders who plan to attend the AGM are encouraged to check the website before travelling.

If you have any questions, please send these by email to temitcosec@franklintempleton.com or via www.temit.co.uk/investor/contact-us in advance of the meeting. Any questions that we receive will be considered and responses will be provided on our website www.temit.co.uk.

Whether you intend to attend the meeting in person or not, you are strongly encouraged to submit your votes on the AGM resolutions in advance of the meeting. Submitting votes by proxy does not preclude you attending the meeting or changing your vote if you attend the AGM but ensures that your votes will be counted if restrictions preventing attendance at the AGM are introduced at short notice.

Outlook

These are difficult times for investment managers. At the time of writing the war in Ukraine appears likely to continue for some time and while active hostilities will, we hope, end shortly, the ramifications are likely to be felt for some considerable time. From the perspective of investors the major issues will be the extent to which commodity prices remain elevated and the effect that this has on broader inflation around the world. Higher inflation generally leads to higher interest rates and this affects the market value of assets, particularly high growth companies for which values are derived from expectations of earnings over the longer term. The COVID-19 pandemic is still present in parts of the world. In particular, the Chinese government continues to pursue a policy of lockdowns to control outbreaks of the virus and this can have serious economic consequences. We also remain concerned about the extent to which the Chinese government will continue to intervene in the affairs of companies.

Against this difficult background, your Board remains optimistic for the long term despite recent setbacks. Our Investment Manager deploys a large team with staff around the world and their process has demonstrated its effectiveness over the long term. Countries making up the emerging markets currently contribute around 2/3 of the world's economic growth. We believe that this growth advantage will continue because emerging markets enjoy many structural advantages – relatively young and growing populations, growing wealth, expanding economies, and companies that in some cases are world leading.

Paul Manduca

Chairman

14 June 2022

The Investment Manager

TEMIT's Investment Manager is the Franklin Templeton Emerging Markets Equity ("FTEME") team. FTEME has managed the portfolio since TEMIT's inception and are pioneers in emerging markets equity investing. They bring more than 30 years of experience and local knowledge from over 70 investment professionals, based in 13 countries around the world.

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

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

Portfolio Managers

Chetan Sehgal, CFA



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

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

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

Chetan holds a B.E. Mechanical (Hons) from the University of Bombay and a postgraduate diploma in Management from the Indian Institute of Management in Bangalore, where he specialised in finance and business policy and graduated as an institute scholar. Chetan speaks English and Hindi and is a Chartered Financial Analyst ("CFA") Charterholder.

Andrew Ness, ASIP



Andrew Ness is a portfolio manager of TEMIT and is based in Edinburgh.

Prior to joining Franklin Templeton in September 2018, Andrew was a portfolio manager at Martin Currie. He began his career at Murray Johnstone in 1994 and worked with Deutsche Asset Management in both London and New York before joining Scottish Widows Investment Partnership in 2007.

Andrew holds a B.A. (Hons) in Economics and an MSc in Business Economics from the University of Strathclyde in the UK. He is an Associate Member of the UK Society of Investment Professionals and a member of the CFA Institute.

Portfolio Report

Overview of markets

Emerging markets collectively declined over the 12 months under review. Although progress in vaccination campaigns and businesses reopening, along with ongoing monetary and fiscal stimulus, aided economic recovery in several parts of the world, others struggled with new COVID-19 variant outbreaks. An accelerated tightening in United States (“US”) monetary policy suppressed investors’ risk appetite. Higher inflation amidst a spike in commodity prices raised investor concerns as rebounding consumer demand alongside continued supply-chain disruptions drove inflation in many countries to reach the highest levels in decades. Towards the end of the period under review, Russia’s invasion of Ukraine further tested financial markets, triggering a series of international sanctions on Russia. The MSCI Emerging Markets Index returned -6.8% in the 12-month period under review, whilst TEMIT delivered a net asset value total return of -17.3% (all figures are total return in sterling). Full details of TEMIT’s performance can be found on page 1.

By region, Latin America outperformed its peers in EMEA (Europe, Middle East and Africa) and Asia. Latin America, replete with natural resources and relatively insulated from supply interruptions related to Russia’s war with Ukraine, benefitted from higher prices for energy and other commodities. Although the EMEA region lost ground on contagion from Russia’s invasion of Ukraine and subsequent sanctions from Western governments, resource-rich South Africa and oil-producing nations in the Middle East benefitted from higher commodity prices. Declines in China were largely responsible for Asia’s lagging performance, overshadowing solid returns in India and Taiwan.

China was TEMIT’s largest market exposure, although the portfolio remained underweight relative to the benchmark. China was amongst the weakest emerging markets, losing 29% in sterling terms over the 12-month period. Chinese equities retreated under pressure from concerns relating to the impact of additional regulations, particularly in the internet industry, a property market slowdown and new COVID-19 outbreaks, even as the central bank cut key lending rates to support the economy. The government enacted new regulations in a number of industries, including internet and education, which caused considerable investor concern. The regulatory changes in China were announced at a time when the country was seeing a slowdown in its economy and resurgence in COVID-19 cases, which further weighed on equity performance. Equities sharply rebounded near the end of the period after assurances of stock market stability from China’s state council.

While regulatory changes in China have elevated market volatility and investor fears of policy risks in the country, we would like to stress that the policies do not have a uniform effect on all companies within a given sector. Therefore, it is crucial to assess the impact of regulatory changes on the long-term earnings power and intrinsic value of companies individually. Other factors, including a resurgence of COVID-19 and rising coal and gas prices, will also be likely to have an impact on economic growth this year. Additionally, we have seen a slowdown in consumption. However, we believe that China’s policy makers have multiple and flexible policy tools to underpin the economy. China’s increased emphasis on its domestic market and self-sufficiency should support sustainable longer-term growth. China has directed its policies towards developing industries that are likely to benefit broader society—the “greening” of the economy, for example, is likely to be a tailwind for industries related to electric vehicles and renewable energy. We also expect digitalization to remain an important theme in China.

TEMIT’s second-largest market position was in **South Korea**, where the portfolio was overweight versus the benchmark. South Korean equities declined by 14% during the reporting period. The resurgence of COVID-19, stricter social distancing measures and weak market sentiment surrounding technology stocks weighed on equity prices. South Korea ended the period near a historically low unemployment rate of under 3% largely due to government spending. The country is

Portfolio Report (continued)

an export powerhouse, and several South Korean exporters are of global importance, supplying vital hardware. However, rising commodity prices and supply chain bottlenecks have put pressure on the semiconductor and battery makers that comprise South Korea's growth sectors. Uncertain global economic issues could lead to a slower-than-expected recovery in key macroeconomic indicators. Concerns about regulations also remain, whilst geopolitical tension with North Korea and the possibility of future COVID-19 outbreaks warrant close attention.

The **Taiwanese** market outperformed the wider benchmark, ending the reporting period with a return of nearly 12%. TEMIT's overweight allocation to Taiwan was largely attributable to exposure to the island's semiconductor industry. Technology's role as a key economic engine has only strengthened during the pandemic. Moreover, semiconductor chips have become a growing part of almost all consumer goods with the semiconductor industry experiencing a cyclical and secular boom as growing digitalisation powers a surge in demand. Some of Taiwan's manufacturers are counted amongst the largest and most advanced foundries in the world and partner with and produce chips for clients globally, with few competitors able to progress to the next level of technology. Despite increased market concerns that Russia's invasion of Ukraine could potentially increase cross-strait geopolitical risk between China and Taiwan, we expect the current status quo situation to remain unchanged.

Equities in **Brazil** rose sharply in the final three months of the reporting period to end the 12-month period with double-digit gains. Brazil's monetary policy has been amongst the most aggressive in emerging markets. In the second half of 2021, fiscal uncertainties, depreciation in the real, increased political noise, rising inflation and pockets of commodity weakness weighed on the Brazilian market. However, higher commodity prices, a stronger real and undemanding valuations led to renewed fund inflows in 2022. However, political uncertainty and fiscal challenges created volatility in the equity market, as did concerns that rising inflation and a tighter monetary policy could hinder the overall economy. Brazil's long-term growth recovery and business environment could be further supported by the continuation of economic reforms, privatisations and concessions, all of which the government has been focusing on but remain difficult to materialize ahead of presidential elections in October 2022. As the world's fourth-largest commodity exporter, the commodity price surge amidst global supply concerns from Russia's invasion of Ukraine has been beneficial for Brazil's commodity exports, economy and market. We also believe that Brazil's economic growth could surprise on the upside, aided by efficiencies arising from a thriving internet economy.

India was TEMIT's fifth largest exposure at the end of March 2022. The Indian market remained on an upward trend over the majority of the 12-month period. Stocks, however, declined in early 2022, as rising oil prices weighed on the economic outlook for the country as it is a major oil importer. A moderation in oil prices and expectations of policy continuity with the ruling government party's election in key states in March led equities to rebound off their 2022 low, to end the reporting period with double-digit gains. Digitalisation in India has been advancing at a rapid pace since 2016, due to government initiatives, inexpensive mobile data and a significant step-up of venture capital and private equity funding. Companies related to the internet and digital economy have also been gaining prominence on Indian stock exchanges, providing exciting investment opportunities and diversifying the overall market. Over the longer-term, we expect to see continued growth in Indian earnings due to positive demographics, continued private sector penetration in segments like finance and health care, digitalisation from a low base, and supply-chain diversification supported by government policy. We believe that long-term fundamentals remain robust in view of increasing consumer penetration, growing formalisation of the economy, a reform push and a stable government.

Portfolio Report (continued)

TEMIT had maintained an overweight exposure to Russia relative to the benchmark prior to Russia's invasion of Ukraine. Equity prices were on an upward trend in the first seven months of the reporting year, returning over 25% in sterling terms. Despite its strong market performance, however, Russia remained one of the most undervalued markets in Europe as well as globally. Rising oil prices, appreciation in the rouble and a faster-than-expected economic recovery buoyed the stock market. Brewing tensions with Ukraine however, started weighing on equity prices in Russia. We remained generally positive in our outlook on investment opportunities in Russia, given the belief that diplomacy could resolve the issue. We believed that Russia's internally focused economy and policy flexibility (given twin surpluses in its fiscal and current accounts) continued to provide a conducive environment for companies operating domestically.

Post the invasion and the implementation of extensive sanctions from the West, stock prices and the Russian rouble declined sharply. Russia's resilience to financial shocks has also been affected by the freeze of some of its central bank's international reserves. Index compilers MSCI and FTSE dropped Russia from their benchmarks in early March at a zero-value, due to non-fulfilment of market accessibility requirements. Although trading in the domestic market resumed in late-March, following a trading suspension on 28 February, foreigners remained barred from selling, while trading in Russian American and Global Depositary Receipts (ADRs/GDRs) listed in international exchanges also remained suspended at the time of writing. Given these facts, on 4 March 2022, Russian company securities were fair valued at zero by the Franklin Templeton Valuation Committee. In concluding upon a zero value, the continued uncertainty in the market, restrictions on trading the shares both onshore and offshore, and a lack of any price discovery mechanism to provide indications of residual value were all considered.

Investment strategy, portfolio changes and performance

The following sections show how different investment factors (stocks, sectors and geographies) accounted for TEMIT's performance over the period. We continue to emphasise our investment process which is described in more detail on pages 24 to 30 and that selects companies based on their individual attributes and ability to generate risk-adjusted returns for investors, rather than taking a high-level view of sectors, countries or geographic regions to determine our investment allocations.

In the portfolio, we remain positioned in long-term themes including consumption premiumisation, digitalisation and technology. We focus on companies reflecting our philosophy of owning superior quality businesses, with long-term sustainable earnings power and share prices at a discount to intrinsic worth. We see elevated levels of leverage as a risk and continue to avoid companies with weak balance sheets.

Whilst the immediate outlook may be volatile, this approach should help us best navigate the ongoing pandemic and geopolitical instability. Over time, we expect the long-term fundamentals of our holdings to remain intact and to produce attractive returns for investors.

Portfolio Report (continued)

Performance attribution analysis %

Year to 31 March	2022	2021	2020	2019	2018
Net asset value total return ^(a)	(17.3)	54.5	(11.2)	1.8	12.4
Expenses incurred	1.0	1.0	1.0	1.0	1.1
Gross total return ^(a)	(16.3)	55.5	(10.2)	2.8	13.5
Benchmark total return ^(a)	(6.8)	42.8	(13.2)	0.1	11.8
Excess return ^(a)	(9.5)	12.7	3.0	2.7	1.7
Stock selection	(10.0)	6.0	(2.1)	1.8	1.3
Sector allocation	0.3	6.8	3.1	(0.6)	(0.3)
Currency	0.2	(0.3)	1.6	1.0	0.4
Share buyback impact ^(b)	0.0	0.3	0.4	1.0	0.4
Residual return ^(a)	(0.0)	(0.1)	–	(0.5)	(0.1)
Total Investment Manager contribution	(9.5)	12.7	3.0	2.7	1.7

Source: FactSet and Franklin Templeton.

^(a) A glossary of alternative performance measures is included on pages 111 to 112.

^(b) The share buyback impact has been presented separately from the residual figure.

Top 10 contributors to relative performance by security (%)^(a)

Top contributors	Country	Sector	Share price total return	Contribution to portfolio relative to MSCI Emerging Markets Index
ICICI Bank	India	Financials	26.6	1.0
Meituan ^(b)	China/Hong Kong	Consumer Discretionary	(45.7)	0.7
Itaú Unibanco	Brazil	Financials	50.5	0.6
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	5.5	0.6
Bajaj Holdings & Investments ^(c)	India	Financials	57.9	0.5
Guangzhou Tinci Materials Technology	China/Hong Kong	Materials	59.3	0.5
Cognizant Technology Solutions ^(c)	United States	Information Technology	22.0	0.5
Pinduoduo ^(b)	China/Hong Kong	Consumer Discretionary	(68.6)	0.4
Longshine Technology ^(c)	China/Hong Kong	Information Technology	93.6	0.4
Banco Bradesco	Brazil	Financials	18.0	0.3

^(a) For the period 31 March 2021 to 31 March 2022.

^(b) Security not held by TEMIT as at 31 March 2022.

^(c) Security not included in the MSCI Emerging Markets Index as at 31 March 2022.

Finishing higher over the 12-month period were shares of **ICICI Bank**, India's second largest private sector bank. In its most recent fiscal quarter ended in December 2021, the bank posted robust loan growth amidst increasing economic activity as pandemic restrictions eased. The bank has a wide presence across retail banking products, as well as corporate and commercial banking. The bank has strong franchises and competitive asset management, insurance, and retail brokerage subsidiaries.

Brazilian bank **Itaú Unibanco** was a top contributor during the period. Its shares rebounded from a decline in the latter part of 2021, as Brazilian equities benefitted from renewed investor inflows amidst higher commodity prices, improving macroeconomic data and undemanding valuations. Rising interest rates further benefitted the bank. The large-scale bank benefits from low penetration

Portfolio Report (continued)

of financial products and a strong distribution network. Loan activity increased in 2021, and expense control supported strong margins.

Shares of **Taiwan Semiconductor Manufacturing ("TSMC")** gained during the period. The chip maker's strong quarterly earnings growth, upbeat full year outlook and larger capital expenditure plan boosted investor confidence in the stock, although risks of a slowdown in consumer spending led to volatility in the semiconductor industry late in the period. We expect TSMC to benefit from a structural increase in chip demand, driven by smartphones, high-performance computing and other advanced applications. We are positive on its technology leadership and its dominance in developing cutting-edge chips.

Top 10 detractors to relative performance by security (%)^(a)

Top detractors	Country	Sector	Share price total return	Contribution to portfolio relative to MSCI Emerging Markets Index
Alibaba	China/Hong Kong	Consumer Discretionary	(47.2)	(1.5)
LUKOIL	Russia	Energy	(100.0)	(1.5)
Yandex	Russia	Communication Services	(100.0)	(1.3)
Sberbank of Russia	Russia	Financials	(100.0)	(1.1)
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	(59.2)	(1.0)
Tencent	China/Hong Kong	Communication Services	(35.2)	(0.8)
Tencent Music Entertainment	China/Hong Kong	Communication Services	(75.1)	(0.7)
Naspers ^(b)	South Africa	Consumer Discretionary	(46.9)	(0.7)
Samsung Electronics	South Korea	Information Technology	(15.6)	(0.6)
Prosus ^(c)	China/Hong Kong	Consumer Discretionary	(38.5)	(0.5)

^(a) For the period 31 March 2021 to 31 March 2022.

^(b) Security not held by TEMIT as at 31 March 2022.

^(c) Security not included in the MSCI Emerging Markets Index as at 31 March 2022.

Alibaba's stock fell over the period as the Chinese e-commerce company came under pressure from increased regulatory scrutiny from its government. Additionally, weakening consumption trends amidst repeated COVID-19 outbreaks and intensified competition in the domestic e-commerce market weighed on sentiment. We remain positive on the relative strength of Alibaba's e-commerce ecosystem. It has also been pursuing a multi-engine growth strategy for the longer term, which includes building up its cloud and international e-commerce businesses.

LUKOIL, a major Russian oil producer, **Yandex**, Russia's largest search engine and **Sberbank of Russia**, one of the biggest banks in Russia were top detractors in the final quarter of the period. Before Russia's invasion of Ukraine, we had maintained our positions in Russian stocks in the belief that diplomacy could resolve the issue. Post the invasion, share prices of Russian equities declined significantly. As mentioned above, with effect from 4 March 2022, Russian company stocks were fair valued at zero.

Portfolio Report (continued)

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

Top contributors	MSCI Emerging Markets Index sector total return	Contribution to portfolio relative to MSCI Emerging Markets Index	Top detractors	MSCI Emerging Markets Index sector total return	Contribution to portfolio relative to MSCI Emerging Markets Index
Information Technology	(1.8)	0.9	Communication Services	(19.9)	(3.7)
Real Estate	(24.3)	0.7	Energy	(1.5)	(2.0)
Health Care	(21.8)	0.6	Financials	16.5	(2.0)
			Consumer Discretionary	(36.2)	(1.9)
			Industrials	9.9	(0.5)

^(a) For the period 31 March 2021 to 31 March 2022.

An overweight position and favourable stock selection in the **information technology** sector added to TEMIT's performance relative to the benchmark index in the review period. Tata Consultancy Services, an India-based IT services firm, and Cognizant Technology Solutions, a US listed technology services company that derives much of its earnings from services provided in India, were both examples of information technology companies that aided relative returns. Stock selection and an underweight in **real estate** also aided relative performance, as the poorly performing sector for the benchmark contributed to relative returns in the portfolio. The portfolio did not invest in several Chinese real estate stocks that weighed on the sector in the benchmark amidst a slowdown in the Chinese real estate sector. However, Chinese real estate company China Resources Land was an overweight in the portfolio and rose during the period. Stock selection and an underweight exposure to the **health care** sector was another positive contributor to relative returns.

In contrast, stock selection in the **communication services** sector was a key detractor from relative performance. Yandex was a leading detractor as Russian stocks were fair valued at zero, as discussed above. Tencent was another key detractor in the sector. In addition to new rules in China's internet sector, concerns of a freeze on new video game approvals also impacted sentiment in the company. Stock selection in **energy** also detracted from relative performance, owing to Russia's LUKOIL, which was fair valued at zero, as discussed above. Additionally, not holding India-based Reliance Industries, which has energy and telecommunications operations, held back returns as its shares advanced. Stock selection in **financials**, due to the write down of Sberbank of Russia, hindered performance relative to the benchmark, overshadowing the contribution of an overweight position as the sector was positive for the benchmark.

Portfolio Report (continued)

Top contributors and detractors to relative performance by country (%)^(a)

Top contributors	MSCI Emerging Markets Index sector total return	Contribution to portfolio relative to MSCI Emerging Markets Index	Top detractors	MSCI Emerging Markets Index sector total return	Contribution to portfolio relative to MSCI Emerging Markets Index
Brazil	30.5	0.6	Russia ^{(b)(c)}	(100.0)	(2.9)
United States ^(b)	–	0.4	South Africa	17.3	(1.8)
Thailand	3.5	0.2	Saudi Arabia ^(d)	45.5	(1.3)
Peru	28.0	0.1	Taiwan	11.9	(0.7)
Egypt	(10.1)	0.1	South Korea	(14.2)	(0.7)

^(a) For the period 31 March 2021 to 31 March 2022.

^(b) No companies included in the MSCI Emerging Markets Index in this country as at 31 March 2022.

^(c) All companies held by TEMIT in this country are valued at zero as at 31 March 2022.

^(d) No companies held by TEMIT in this country as at 31 March 2022.

An overweight position and stock selection in **Brazil** aided relative performance amidst the surge in commodity prices and strength in the financial sector. Stock selection in Brazilian financials, including banks Itaú Unibanco and Banco Bradesco, and Brazil's leading financial market infrastructure company B3, helped relative returns. Off-benchmark exposure in the **United States** was another key contributor to TEMIT's returns relative to the index, as a position in Cognizant Technologies Solutions, with high earnings exposure to India, was a key contributor. **Thailand** was another resource rich country that benefitted from a surge in commodity prices, and our stock selection in the country aided relative performance.

Russia was the top detractor from relative performance. As mentioned above, with effect from 4 March 2022, Russian company stocks were fair valued at zero. An overweight exposure to Naspers, which has a sizeable interest in Tencent, was largely responsible for **South Africa's** inclusion in the list of top market detractors from relative performance. We exited Naspers during the reporting period. A lack of exposure to **Saudi Arabia** and several of its well-performing oil companies detracted from relative performance. As a major oil exporter, the country benefitted from prices that climbed throughout the period, a rise that accelerated in the first three months of 2022.

Portfolio Report (continued)

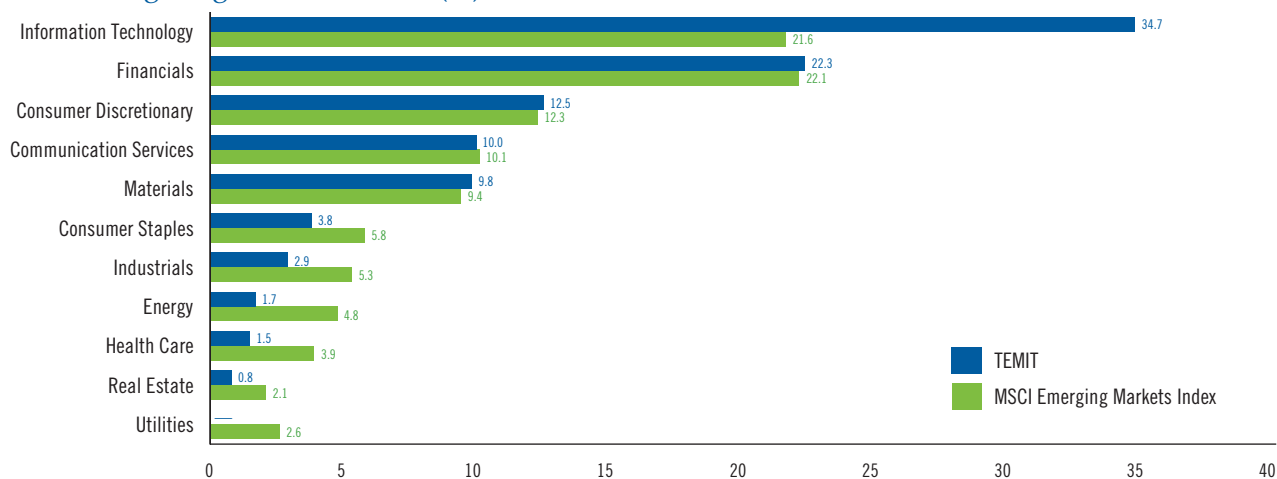
Portfolio changes by sector

Sector	31 March 2021 market value £m	Purchases £m	Sales £m	Market movement £m	31 March 2022 market value £m	Total return in sterling	
						TEMIT %	MSCI Emerging Markets Index %
Information Technology	810	137	(186)	(24)	737	(1.0)	(1.8)
Financials	486	101	(113)	(1)	473	3.4	16.5
Consumer Discretionary	491	65	(92)	(198)	266	(43.9)	(36.2)
Communication Services	433	59	(128)	(152)	212	(40.9)	(19.9)
Materials	91	144	(25)	(2)	208	8.1	8.7
Consumer Staples	115	11	(24)	(20)	82	(17.5)	(5.3)
Industrials	67	17	(11)	(11)	62	(5.6)	9.9
Energy	62	33	(8)	(51)	36	(64.8)	(1.5)
Health Care	32	12	(5)	(6)	33	(14.2)	(21.8)
Real Estate	12	25	(26)	5	16	0.2	(24.3)
Utilities	–	–	–	–	–	–	16.7
Total Investments	2,599	604	(618)	(460)	2,125		

Sector asset allocation

As at 31 March 2022

Sector weightings vs benchmark (%)



Portfolio Report (continued)

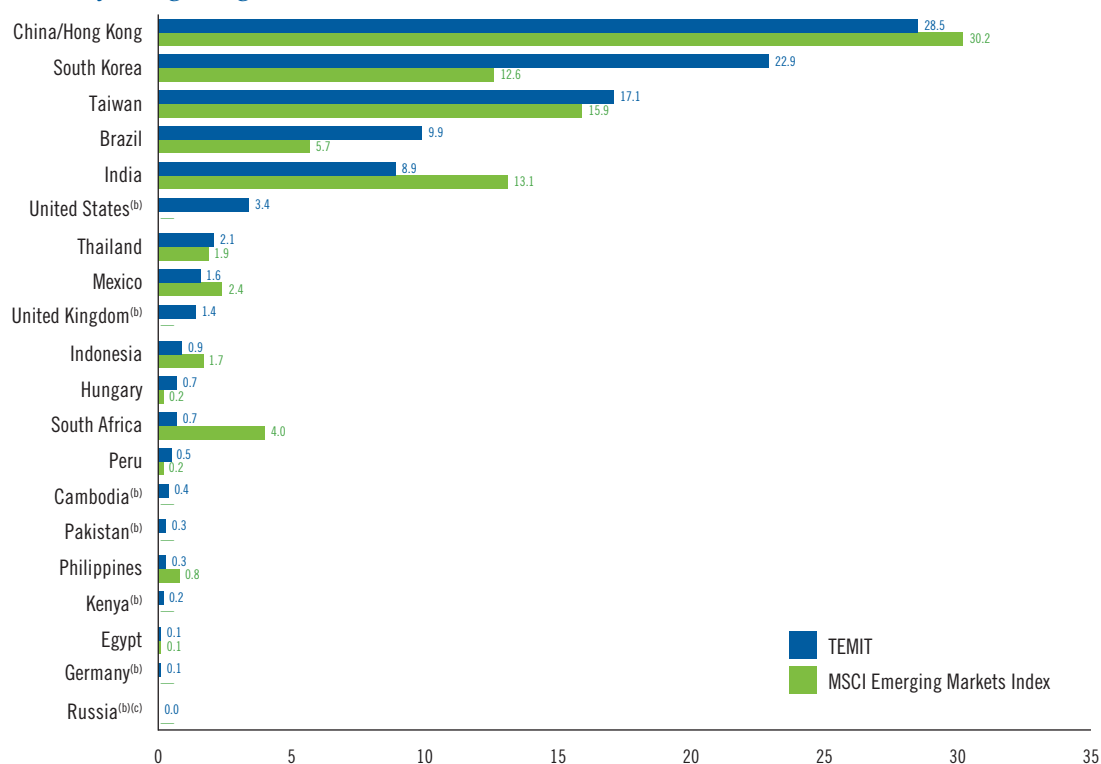
Portfolio changes by country

Country	31 March 2021 market value £m	Purchases £m	Sales £m	Market movement £m	31 March 2022 market value £m	Total return in sterling	
						TEMIT %	MSCI Emerging Markets Index %
China/Hong Kong	770	312	(248)	(229)	605	(33.2)	(29.0)
South Korea	575	77	(66)	(99)	487	(14.4)	(14.2)
Taiwan	430	15	(86)	4	363	3.0	11.9
Brazil	151	65	(32)	26	210	20.3	30.5
India	162	35	(61)	52	188	34.6	23.9
Other	511	100	(125)	(214)	272	–	–
Total Investments	2,599	604	(618)	(460)	2,125		

Geographic asset allocation

As at 31 March 2022

Country weightings vs benchmark (%)^(a)



^(a) Other countries included in the benchmark are Argentina, Chile, Colombia, Czech Republic, Greece, Kuwait, Malaysia, Poland, Qatar, Romania, Saudi Arabia, Singapore, Turkey and the United Arab Emirates.

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

^(c) All companies held by TEMIT in this country are valued at zero.

Portfolio Report (continued)

Portfolio investments by fair value

As at 31 March 2022

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	PS	259,125	12.3
Samsung Electronics	South Korea	Information Technology	PS	218,002	10.4
Alibaba	China/Hong Kong	Consumer Discretionary	IH	124,514	5.9
ICICI Bank	India	Financials	IH	117,038	5.6
Tencent	China/Hong Kong	Communication Services	PS	81,516	3.9
NAVER	South Korea	Communication Services	PS	79,021	3.8
MediaTek	Taiwan	Information Technology	IH	77,821	3.7
China Merchants Bank	China/Hong Kong	Financials	IH	62,500	3.0
Guangzhou Tinci Materials Technology	China/Hong Kong	Materials	NH	56,399	2.7
LG	South Korea	Industrials	PS	50,981	2.4
TOP 10 LARGEST INVESTMENTS				1,126,917	53.7
Banco Bradesco, ADR ^{(b)(c)}	Brazil	Financials	IH	46,710	2.2
Vale	Brazil	Materials	IH	46,056	2.2
Itaú Unibanco, ADR ^{(b)(c)}	Brazil	Financials	PS	44,301	2.1
Samsung Life Insurance	South Korea	Financials	IH	38,654	1.8
Cognizant Technology Solutions ^(d)	United States	Information Technology	IH	37,970	1.8
Petroleo Brasileiro ^(c)	Brazil	Energy	NH	35,977	1.7
Prosus ^(e)	China/Hong Kong	Consumer Discretionary	IH	35,258	1.7
Genpact	United States	Information Technology	NH	35,151	1.6
POSCO	South Korea	Materials	IH	29,634	1.4
Unilever ^(d)	United Kingdom	Consumer Staples	PS	29,164	1.4
TOP 20 LARGEST INVESTMENTS				1,505,792	71.6
Banco Santander Mexico, ADR ^(b)	Mexico	Financials	NT	29,127	1.4
Kasikornbank	Thailand	Financials	IH	27,472	1.3
Tata Consultancy Services	India	Information Technology	NH	26,874	1.3
Soulbrain	South Korea	Materials	NH	26,641	1.3
Daqo New Energy, ADR ^(b)	China/Hong Kong	Information Technology	IH	24,998	1.2
Bajaj Holdings & Investments	India	Financials	PS	22,502	1.1
Ping An Insurance	China/Hong Kong	Financials	IH	22,475	1.1
Hon Hai Precision Industry	Taiwan	Information Technology	PS	21,399	1.0
China Resources Cement	China/Hong Kong	Materials	IH	21,390	1.0
Brilliance China Automotive	China/Hong Kong	Consumer Discretionary	NT	20,803	1.0
TOP 30 LARGEST INVESTMENTS				1,749,473	83.3

Portfolio Report (continued)

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
Astra International	Indonesia	Consumer Discretionary	PS	19,351	0.9
Fila	South Korea	Consumer Discretionary	IH	16,915	0.8
Infosys Technologies	India	Information Technology	PS	16,656	0.8
Americanas ^(f)	Brazil	Consumer Discretionary	IH	16,517	0.8
NetEase	China/Hong Kong	Communication Services	IH	16,347	0.8
Tencent Music Entertainment, ADR ^(b)	China/Hong Kong	Communication Services	IH	16,219	0.8
Baidu	China/Hong Kong	Communication Services	IH	15,972	0.8
Uni-President China	China/Hong Kong	Consumer Staples	IH	15,555	0.7
Gedeon Richter	Hungary	Health Care	PS	15,522	0.7
Ping An Bank	China/Hong Kong	Financials	NT	15,281	0.7
TOP 40 LARGEST INVESTMENTS				1,913,808	91.1
Longshine Technology Group	China/Hong Kong	Information Technology	IH	13,838	0.7
Massmart	South Africa	Consumer Staples	IH	13,598	0.6
LG Chem	South Korea	Materials	NH	11,661	0.5
Intercorp Financial Services	Peru	Financials	IH	10,782	0.5
Keshun Waterproof Technologies	China/Hong Kong	Materials	NH	10,525	0.5
LegoChem Biosciences	South Korea	Health Care	IH	9,723	0.5
Greentown Service Group	China/Hong Kong	Real Estate	NH	8,860	0.4
Kiatnakin Phatra Bank	Thailand	Financials	PS	8,654	0.4
Thai Beverage	Thailand	Consumer Staples	NT	8,141	0.4
Techtronic Industries	China/Hong Kong	Industrials	NH	7,909	0.4
TOP 50 LARGEST INVESTMENTS				2,017,499	96.0
NagaCorp	Cambodia	Consumer Discretionary	PS	7,883	0.4
B3	Brazil	Financials	PS	7,510	0.4
China Resources Land	China/Hong Kong	Real Estate	PS	7,221	0.3
WuXi Biologics	China/Hong Kong	Health Care	NH	7,189	0.3
BDO Unibank	Philippines	Financials	NT	6,699	0.3
H&H Group	China/Hong Kong	Consumer Staples	IH	6,632	0.3
MCB Bank	Pakistan	Financials	NT	6,386	0.3
XP Inc	Brazil	Financials	NH	5,899	0.3
ACC	India	Materials	NT	5,257	0.3
East African Breweries	Kenya	Consumer Staples	NT	4,673	0.2
TOP 60 LARGEST INVESTMENTS				2,082,848	99.1
Nemak	Mexico	Consumer Discretionary	NT	4,604	0.2
M. Dias Branco	Brazil	Consumer Staples	NT	4,142	0.2
PChome Online	Taiwan	Consumer Discretionary	PS	3,385	0.2
Hankook Tire	South Korea	Consumer Discretionary	NT	3,215	0.2

Portfolio Report (continued)

Holding	Country	Sector	Trading ^(a)	Fair value £'000	% of net assets
COSCO SHIPPING Ports	China/Hong Kong	Industrials	IH	3,102	0.1
Delivery Hero ^(d)	Germany	Consumer Discretionary	NH	2,825	0.1
JD.com	China/Hong Kong	Consumer Discretionary	NH	2,613	0.1
BAIC Motor	China/Hong Kong	Consumer Discretionary	PS	2,434	0.1
KT Skylife	South Korea	Communication Services	NT	2,431	0.1
Weifu High-Technology	China/Hong Kong	Consumer Discretionary	NT	2,387	0.1
TOP 70 LARGEST INVESTMENTS				2,113,986	100.5
TOTVS	Brazil	Information Technology	PS	2,102	0.1
Chervon Holdings	China/Hong Kong	Consumer Discretionary	NH	1,994	0.1
E-Finance for Digital & Financial Investments	Egypt	Information Technology	NH	1,844	0.1
Largan Precision	Taiwan	Information Technology	PS	1,758	0.1
United Bank	Pakistan	Financials	NT	1,093	0.1
New Oriental Education & Technology Group, ADR ^(b)	China/Hong Kong	Consumer Discretionary	NH	924	0.1
Americanas ^(g)	Brazil	Consumer Discretionary	IH	418	0.0
Netcare	South Africa	Health Care	NH	411	0.0
Gazprom, ADR ^{(b)(h)}	Russia	Energy	PS	–	–
LUKOIL, ADR ^{(b)(h)}	Russia	Energy	IH	–	–
TOP 80 LARGEST INVESTMENTS				2,124,530	101.1
Sberbank of Russia, ADR ^{(b)(h)}	Russia	Financials	PS	–	–
VK, GDR ^{(h)(i)(j)}	Russia	Communication Services	IH	–	–
Yandex ^(h)	Russia	Communication Services	PS	–	–
TOTAL INVESTMENTS				2,124,530	101.1
NET LIABILITIES				(24,140)	(1.1)
TOTAL NET ASSETS				2,100,390	100.0

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

^(b) US listed American Depository Receipt.

^(c) Preferred Shares.

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

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

^(f) Holding name has been changed from B2W Digital as the result of a merger between B2W Digital and Americanas.

^(g) Subscription receipts on the back of a rights issuance converted into ordinary shares on 1 April 2022.

^(h) This company has been fair valued at zero as a result of its trading being suspended.

⁽ⁱ⁾ UK listed Global Depository Receipt.

^(j) Holding name has been changed from Mail.Ru to VK as a result of rebranding.

Portfolio Report (continued)

Portfolio summary

As at 31 March 2022

All figures are a % of the net assets

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Total Equities	Net liabilities ^(a)	31 March 2022 Total	31 March 2021 Total
Brazil	–	0.8	0.2	1.7	5.0	–	–	0.1	2.2	–	10.0	–	10.0	5.9
Cambodia	–	0.4	–	–	–	–	–	–	–	–	0.4	–	0.4	0.5
China/Hong Kong	6.3	9.1	1.0	–	4.8	0.3	0.5	1.9	4.2	0.7	28.8	–	28.8	29.5
Czech Republic	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3
Egypt	–	–	–	–	–	–	–	0.1	–	–	0.1	–	0.1	–
Germany	–	0.1	–	–	–	–	–	–	–	–	0.1	–	0.1	–
Hungary	–	–	–	–	–	0.7	–	–	–	–	0.7	–	0.7	0.9
India	–	–	–	–	6.7	–	–	2.1	0.3	–	9.1	–	9.1	6.3
Indonesia	–	0.9	–	–	–	–	–	–	–	–	0.9	–	0.9	0.6
Kenya	–	–	0.2	–	–	–	–	–	–	–	0.2	–	0.2	0.3
Mexico	–	0.2	–	–	1.4	–	–	–	–	–	1.6	–	1.6	1.3
Pakistan	–	–	–	–	0.4	–	–	–	–	–	0.4	–	0.4	0.3
Peru	–	–	–	–	0.5	–	–	–	–	–	0.5	–	0.5	0.2
Philippines	–	–	–	–	0.3	–	–	–	–	–	0.3	–	0.3	0.2
Russia	–	–	–	–	–	–	–	–	–	–	–	–	–	6.0
South Africa	–	–	0.6	–	–	–	–	–	–	–	0.6	–	0.6	4.4
South Korea	3.9	1.0	–	–	1.8	0.5	2.4	10.4	3.2	–	23.2	–	23.2	22.1
Taiwan	–	0.2	–	–	–	–	–	17.1	–	–	17.3	–	17.3	16.7
Thailand	–	–	0.4	–	1.7	–	–	–	–	–	2.1	–	2.1	1.7
United Kingdom	–	–	1.4	–	–	–	–	–	–	–	1.4	–	1.4	2.1
United States	–	–	–	–	–	–	–	3.4	–	–	3.4	–	3.4	1.0
Net liabilities ^(a)	–	–	–	–	–	–	–	–	–	–	–	(1.1)	(1.1)	(0.3)
31 March 2022 Total	10.2	12.7	3.8	1.7	22.6	1.5	2.9	35.1	9.9	0.7	101.1	(1.1)	100.0	–
31 March 2021 Total	16.7	19.0	4.4	2.4	18.7	1.2	2.6	31.3	3.5	0.5	100.3	(0.3)	–	100.0

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

Portfolio Report (continued)

Market capitalisation breakdown (%)	Less than £1.5bn	£1.5bn to £5bn	£5bn to £25bn	Greater than £25bn	Net liabilities ^(a)
31 March 2022	7.7	8.0	16.5	68.9	(1.1)
31 March 2021	11.8	8.5	12.9	67.1	(0.3)

Split between markets ^(b) (%)	31 March 2022	31 March 2021
Emerging markets	95.6	96.4
Developed markets ^(c)	4.9	3.1
Frontier markets	0.6	0.8
Net liabilities ^(a)	(1.1)	(0.3)

Source: FactSet Research System, Inc.

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

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

^(c) Developed market exposure represented by companies listed in Germany, United Kingdom and United States which have significant exposure to operations in emerging markets.

Outlook for markets

The current down cycle has been driven by the aftereffects of the unprecedented fiscal stimulus, the spike in commodity prices, post COVID-19 supply chain issues impacting inflation, China's zero COVID policy, and Russia's invasion of Ukraine impacting investor risk appetite. An aversion to holding risky assets currently prevails amongst many investors; what started with investors selling Russian equities has spread to China and other emerging markets. In such circumstances, we believe that having a long-term perspective is valuable.

The start of the US Federal Reserve's withdrawal of support has also heightened market volatility. Higher US interest rates could also trigger a strengthening of the US dollar, this would be potentially negative for emerging markets with macro vulnerabilities, although there are much fewer significant emerging economies in this situation today than in past cycles.

Whilst the current period of increased market volatility and declining equity markets is unnerving, we believe that it is also creating attractive investment opportunities for long-term investors. We continue to search for companies that have sustainable earnings growth, trade at a discount to intrinsic worth and have competitive advantages which are persistent and repeatable over time. In the current market decline, we observe many companies with these characteristics. This is creating opportunities for investors to increase exposure to these companies in preparation for the eventual recovery.

Emerging markets have seen many changes over the past two decades, and the opportunity set for investors has similarly evolved and expanded. Emerging markets generally have youthful and digital-savvy populations with growing needs. In India, for example, there are about 800 million people under the age of 35. As investors, that creates opportunities not only in technology companies, but also in areas like financial services and aspirational products like education and luxury goods.

Portfolio Report (continued)

As a whole, emerging market economic fundamentals have improved in the past decade, and we believe that they are in a stronger position today to cope with any market volatility. Our overall outlook for emerging markets remains positive, with long-term investment opportunities underpinned by emerging markets' structural strengths and the competitiveness of their companies.

Moreover, we think that the COVID-19 pandemic period has catalysed change, innovation, and brought a greater focus on technology. It is an interesting time to be looking at the emerging world today. We believe that the breadth of opportunity, the growth, the innovation, the sustainability of the business models, and the much stronger institutional resilience compared to decades past when considered together create an attractive future for emerging markets.

Chetan Sehgal
Lead Portfolio Manager
14 June 2022

The Investment Manager's Process

Investment philosophy and approach

FTEME's long-term approach is driven by the 3 S's, seeking *Structural* growth opportunities in emerging markets, investing in businesses with *Sustainable* earnings power at a discount to intrinsic worth, and believing in responsible *Stewardship* of client capital. FTEME seeks to capture the growth potential of emerging market companies and believes this is best achieved by employing a bottom-up and fundamental security selection process. FTEME conducts in-depth proprietary company research with a long-term and independent perspective. FTEME believes in the responsible stewardship of clients' capital and that governance and sustainability factors create risks and opportunities for companies. ESG analysis is therefore integrated alongside fundamental bottom-up analysis.

TEMIT's performance in different market environments

FTEME's approach aims for outperformance over the long term. The investment strategy tends to produce stronger performance when company fundamentals are the primary driver for stock returns, where a focus on stock selection should produce superior results. Performance may be less strong in highly sentiment-driven market environments, when investors focus more on the overall economic picture rather than company fundamentals. This can also be the case when the market is overly short-term oriented, and rewards companies driven by what FTEME views as unsustainable factors such as short-term demand/supply imbalances or inorganic growth.

Investment process

The three broad stages of FTEME's investment process comprise: idea generation, stock research, and portfolio construction and management; with governance and sustainability considerations and risk management fully integrated at all stages.

1. Idea generation

The key source of idea generation is FTEME's team of over 70 analysts and portfolio managers located around the globe. Their experience and expertise allow them to identify trends which they may want to explore further through company research. In addition, FTEME's local presence, network and understanding of local dynamics may help to identify trends and opportunities that other market participants may filter out through standard quantitative screens. FTEME analysts speak the local language and are part of the local culture and fabric of the countries where they conduct research.

2. Stock research

FTEME analysts conduct rigorous analysis to assess whether a company has sustainable earnings power, and to establish a proprietary estimate of its intrinsic worth. By integrating ESG analysis with traditional business and financial analysis, FTEME seeks to gain insights into the quality and risks of companies. FTEME's research platform currently has coverage of over 700 companies across emerging markets using a proprietary and rigorous bottom-up research approach, along with extensive knowledge of the wider universe.

FTEME's research analysts form detailed views of companies by collecting and analysing a variety of information. The team conducts detailed quantitative financial analysis by building in-depth company models to evaluate financial strength and profitability, and to project future earnings and cash flow. Industry demand and supply models are incorporated in the analysis, as well as country and currency macro considerations. FTEME has a strong emphasis on qualitative assessment.

The Investment Manager's Process (continued)

The assessment of ability to sustain stable or growing economic profits over time is typically driven by a combination of factors, including (i) sound business models; (ii) sustainable competitive advantages; (iii) management foresight; and (iv) low debt levels. Earnings power is the demonstrable ability to generate sustainable economic profit into the future in areas which could be beyond the current scope of operations. The analysts look for real earnings growth by focusing on economic earnings and cash flows rather than reported earnings, and differentiating between operational earnings and financial earnings. They evaluate internal versus external drivers to earnings and prefer companies with earnings which can be affected through management action. A key element of earnings power is therefore quality, as signified by (i) products and services with low regulatory and macro risk; (ii) financial strength; and (iii) management strength.

Each research recommendation may incorporate several valuation methods extending typically over a three- to five-year horizon. FTEME aims to clarify the risk/reward balance of a company by conducting sensitivity analysis, stress-testing, and scenario analysis. It seeks to identify what the market consensus expectations are for a stock and how the team's fundamental views may differ.

3. Portfolio construction

FTEME seeks to build a high-conviction stock-centric portfolio that is primarily driven by company-specific factors and focused on the long term. A bottom-up approach to stock selection is used, with country and sector allocations a residual of this process.

Portfolio Style and Characteristics

The strategy typically displays the following characteristics:

- Core style: The strategy aims to deliver outperformance irrespective of market direction. The portfolio construction process leads to the majority of active risk being focused
- Quality and growth but not at excessive valuation levels: The philosophy typically leads to a portfolio with higher quality and growth than the aggregate of the benchmark index, but not at excessive valuation levels
- High conviction portfolio: The top-10 holdings typically account for over 40% of the portfolio which overall is well-diversified portfolio across the market cap spectrum.
- Low turnover: FTEME's high conviction and long-term approach means that the typical annual portfolio turnover is less than 20%.

Buy and Sell Discipline

FTEME's buy discipline is primarily designed to ensure that the portfolio managers buy when they have both conviction in a business and it is trading below its intrinsic value; FTEME's sell discipline is designed to capture the opposite. All holdings are regularly reviewed to ensure that analyst recommendations are up to date and accurately reflect any changes in company fundamentals. In this way, ongoing fundamental research drives all buy and sell decisions.

The Investment Manager's Process (continued)

Investment risk management

Investment in emerging markets equities inevitably involves risk in a volatile asset class. Franklin Templeton uses a comprehensive approach to managing risks within its managed portfolios and this approach is inherent in all aspects of the investment process. Investment risks are to be identified and intentional, not minimised. Risk management is embedded through all stages of the investment process, in collaboration with dedicated resources from Franklin Templeton's Investment Risk Management Group of over 80 risk management professionals, which is independent from the portfolio management team. Various risk management tools are used to predict and decompose the portfolio's active risk in order to understand and manage the portfolio's active risk profile.

For additional information with respect to the AIFM risk management framework, please read the Investor Disclosure Document on our website (www.temit.co.uk).

FTEME's approach to stewardship

FTEME's focus is on a total sustainability approach including business, economic, environmental and social sustainability. How FTEME monitors and manages client assets is not just about focusing on governance and sustainability factors. It demands a holistic approach incorporating proactive long-term engagement with the managers of the companies which FTEME invests in on behalf of TEMIT and its other clients.

Part of being a responsible steward of clients' assets is acknowledging that governance and sustainability factors create risks and opportunities for companies. It therefore makes sense to integrate these factors alongside fundamental bottom-up analysis and engage with companies as active owners on behalf of clients. Responsible stewardship is not a single act but a continuous process that includes engagement and voting. Being responsible stewards of our client's capital is reflected in:

How we act as investors

- ESG integration
- Company engagement
- Policy advocacy

How we treat our clients

- Putting clients first
- Being responsible fiduciaries of our clients' capital

How we behave as a business

- Building relationships
- Achieving quality results
- Working with integrity

Integrating ESG factors

Analyses of governance and sustainability factors are embedded components of our rigorous fundamental bottom-up research. The driving factors of the decision to purchase or sell a stock centre on the following:

- Its sustainable earnings power and whether its price is at a discount to intrinsic worth; and
- The sustainability of its business model, which is critical to maintaining its competitive positioning.

The Investment Manager's Process (continued)

Our proprietary three-pillar ESG framework is a key component of how we aim to achieve our goal of being an emerging market leader in sustainable investing.

Intentionality

Assessing companies' intentionality toward managing material ESG factors with our proprietary scoring system and linking ESG factors into our valuation models.

Alignment

Mapping the alignment of companies' products and services to positive social and environmental outcomes and UN Sustainable Development Goals (SDGs).

Transition

Identifying companies' transition potential linked to their incremental progress, using our on-the-ground capabilities and experience as active owners to foster positive change.

We have summarised one of our case studies from our full Stewardship Report to give TEMIT shareholders a snapshot of the typical analysis undertaken.

Tencent – provides social networking, music, web portals, e-commerce, mobile games, internet services and payment systems.

ESG Topic: User Privacy Protection & Content Management

Materiality and Risk: Users of internet service providers that have privacy concerns may decide to switch to alternative internet services. This has the potential to impact revenue growth due to lower engagement by users. Content management (censorship) without a reasonable level of consensus building or supervision may also lead to a less active user base.

Analysis:

- 1) Strong privacy policy and commits to collecting only the information that is necessary for product functions;
- 2) Mechanism for personal data control and dedicated website to help resolve any dispute users may have;
- 3) Privacy management practices are transparent and certified by TRUSTe; and
- 4) The company is aware and anticipates censorship requirements from government related bodies.

Outcomes: Social risks associated with privacy concerns and content management (censorship) are faced by all content platforms in China, and full cooperation with regulators is important to ensure continuous operation. Based on our analysis, we consider Tencent as a leader among Chinese peers in its industry and is well positioned to manage such risks.

Climate change

Within emerging markets, the landscape varies considerably, ranging from countries that have announced meaningful carbon targets to those that have yet to declare any significant policies. FTEME's objective is to understand the climate commitments of investee companies incorporating both local and global perspectives, recognising that the pace of decarbonisation and the associated strategies will differ across countries and cultures.

Where material, FTEME integrates climate change/carbon analysis into its bottom-up research process, focusing on assessing the impact on long-term business values. This is part of the holistic

The Investment Manager's Process (continued)

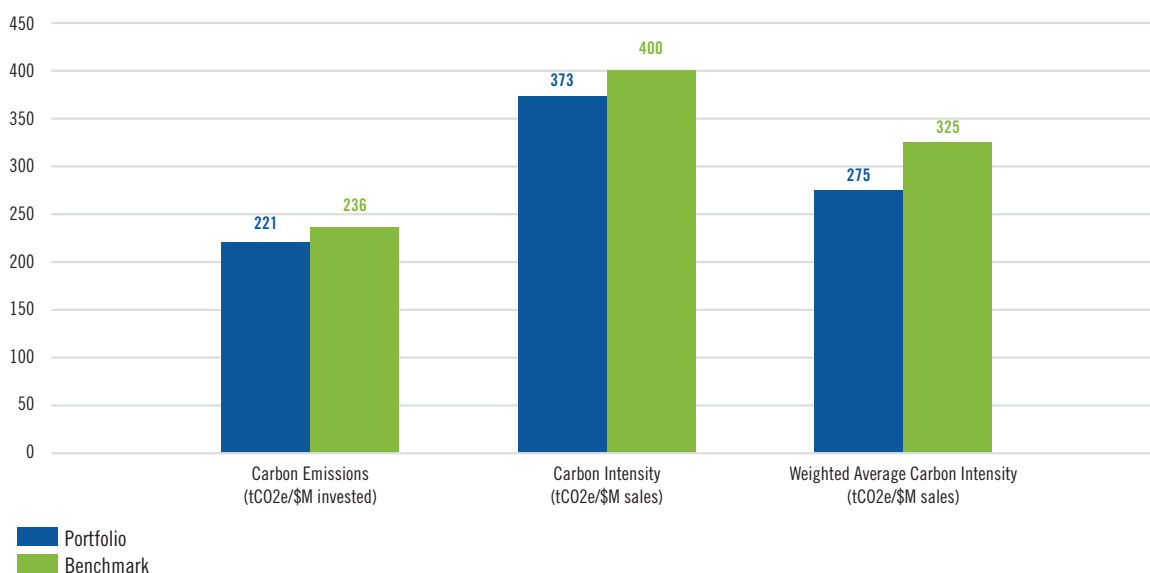
approach of integrating ESG analysis with traditional financial analysis so that FTEME can gain valuable insights into the quality and risks of businesses which FTEME invests in.

FTEME's analysts and portfolio managers look at climate risks and opportunities closely for relevant sectors and geographies where climate change plays a very important role. FTEME closely tracks climate related factors into estimates, models and valuations for those businesses materially exposed to the issue.

Our portfolio managers also seek to understand the carbon risk profile at a portfolio level to understand its carbon risk exposures. The data very much helps with the engagement agenda.

TEMIT Carbon Footprint vs. MSCI EM Index – 31 March 2022^(a)

Portfolio Carbon Emissions are 6% lower than the benchmark, Carbon Intensity is 7% lower and Weighted Average Carbon Intensity is 16% lower.



^(a) Source: MSCI ESG as at 4 April 2022, portfolio coverage 95% (77% reported, 18% estimated); MSCI EM coverage 100% (78% reported, 22% estimated). Carbon emissions include scope 1 and 2.

Carbon Emissions – Measures the portfolio's normalised carbon footprint per \$1 million invested.

Carbon Intensity – Measures the portfolio's efficiency in terms of the level of carbon emissions per dollar of sales generated by a company.

Weighted Average Carbon Intensity – Measures the portfolio's exposure to carbon-intensive companies.

TEMIT's portfolio carbon risk is concentrated amongst a small number of companies, with the top five companies in terms of carbon intensity representing 6.8% of the portfolio and accounting for 74.2% of the total portfolio Weighted Average Carbon Intensity ("WACI"). From a sector perspective, 66.2% of the total portfolio WACI contributions come from the materials sector. On a relative basis, portfolio holdings in materials and industrials contribute negatively to WACI and the utilities sector contributes positively, as TEMIT does not hold any investments in the sector. Cement manufacturers, China Resources Cement and ACC, exhibit the largest carbon intensities in TEMIT's portfolio, representing 1.3% of the portfolio and accounting for 51.9% of the portfolio WACI. TSMC's carbon intensity is low, however due to it representing 12.3% of the portfolio, it is second in terms of contribution to WACI.

We emphasise that the data does not always fully represent the actual carbon risk of the portfolio. Some of the data is estimated where carbon emissions are not disclosed by portfolio companies. WACI is measured against sales, however, in production orientated industries this is not always an accurate measure. Finally, the reported data is a snapshot at a point in time and does not represent the forward-looking nature of our approach to analysing investee companies. On the next page we provide a short summary of FTEME's analysis of China Resources Cement and ACC.

The Investment Manager's Process (continued)

China Resources Cement ("CRC") – leading cement and concrete producer in Southern China

CRC strictly implements national policies and guidelines and operates in full compliance with local standards and audits, with no fines or penalties in recent history. Management integrates ESG Key Performance Indicators in remuneration at various levels whilst expressing an intention to improve carbon management further via tech upgrades and appropriate target setting annually.

The company's improving emissions intensity, compliance with local standards and management intentions to improve further, suggests low carbon risk and strong profile in the sector.

ACC – one of the largest producers of cement in India

ACC is guided by parent Lafarge-Holcim's principles and technical know-how on environmental issues. As a result, it is ahead of the curve versus its Indian peers in both approach and adopting innovative technologies related to emissions control. It has recently had its 2030 carbon-emission reduction target endorsed by the Science Based Targets Initiative ("SBTi") and has signed the 'Business Ambition for 1.5°C' pledge.

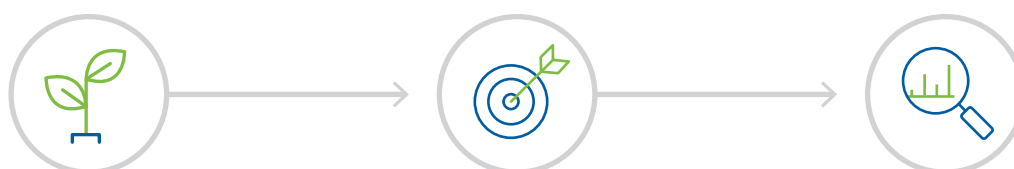
We are positive on the company's ability to manage its emissions profile and from an environmental perspective, the company is one of the best investment options in the cement sector in a developing market.

Active ownership

As investors with a significant presence in emerging markets, FTEME's active ownership efforts are a key part of the overall approach to stewardship. FTEME analysts conduct almost 2,000 company meetings a year across the investment platform using its industry-leading research footprint across emerging markets, where FTEME seek to gain a number of fundamental and sustainability insights. We believe that our engagement efforts are key to developing a detailed understanding of companies and improving outcomes for shareholders as well as stakeholders more broadly.

Engagement statistics

FTEME's analysts are in a continual dialogue with companies on a range of topics including sustainability and governance. There are also companies that FTEME identify where dedicated discussion on ESG topics are necessary. Active engagements with companies in the TEMIT portfolio for the year ended 31 March 2022 are summarised below:



ESG Issue

Identify material ESG issues and rationale for engagement

Objectives and Process

Set goal and/or rationale for the engagement and approach

Outcome

Review outcomes, next steps and investment thesis

Dedicated ESG discussion by engagement type

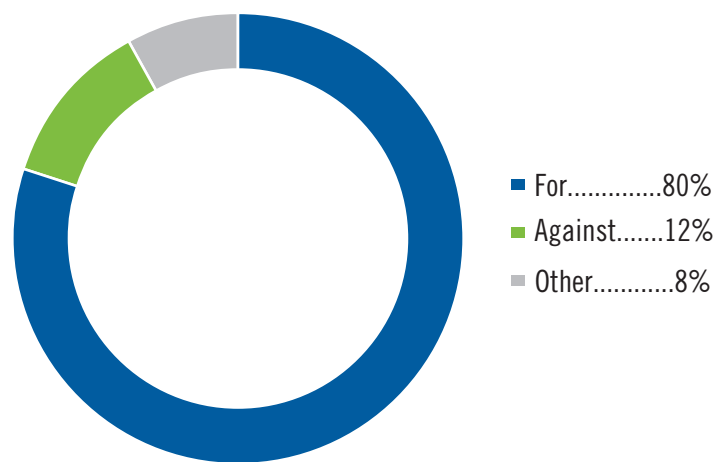
	Number of interactions	% of interactions
Environmental	11	31
Social	7	19
Governance	15	42
Combination	3	8
Total	36	100

The Investment Manager's Process (continued)

Proxy voting

In the year ended 31 March 2022, FTEME voted on over 900 management proposals at annual and special general meetings for TEMIT. Most of the proposals which FTEME voted on related to companies' director appointments, routine business proposals and capital structures. Of the voteable management proposals, FTEME voted FOR proposals 80% of the time.

FTEME voted against management proposals in 12% of cases, our votes against were largely concentrated on capital structure, non-salary compensation, and director related management proposals. FTEME views votes against proposals as a formal way to communicate our views to management, and FTEME undertakes them based on the investment team's assessment of each motion in line with clients' best interests.



Where "Other" votes were cast, these were mainly director related votes in Brazil, where FTEME abstained from voting they were not supportive of the candidates put forward for election, or where the company bundled several proposals into one, preventing voting on individual items.

The number of resolutions proposed by shareholders is increasing around the world, particularly on environmental and social issues, although they remain relatively uncommon in emerging markets. FTEME will continue closely to examine the merits of views raised by fellow shareholders.

We encourage you to download the full TEMIT Stewardship report from www.temit.co.uk for further, detailed information.

Business Review

Strategy and Business Model

Company purpose and objective

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

The objective of TEMIT is to provide long-term capital appreciation via exposure to global emerging markets, supported by a culture of both strong customer service and corporate governance.

Investment policy

The current investment policy was approved at the Company's AGM on 8 July 2021.

The Company seeks long-term capital appreciation through investment in companies listed in emerging markets or companies which earn a significant amount of their revenues in emerging markets but are domiciled in, or listed on, stock exchanges in developed countries ("Emerging Markets Companies").

It is expected that the majority of investments will be in listed equities. However, up to 10% of the Company's assets may be invested in unlisted securities. In addition, while it is intended that the Company will normally invest in equity instruments, the Investment Manager may invest in equity-related investments (such as convertibles or derivatives) where it believes that it is advantageous to do so.

The portfolio may frequently be overweight or underweight in certain investments compared with the MSCI Emerging Markets Index (the "Benchmark") and may be concentrated in a more limited number of sectors or geographical areas than the Benchmark. Investments may be made in Emerging Markets Companies outside the Benchmark that meet the investment criteria.

Whilst there are no specific restrictions on investment in any one sector or geographic area, the portfolio will be managed in a way which aims to spread investment risk. The portfolio will typically contain between 50 and 100 individual stocks but may, at times, contain fewer or more than this range. No more than 12% of the Company's assets will be invested in the securities of any one issuer at the time of investment, save that any investment in unlisted securities of any one issuer will be limited to no more than 2% of the Company's assets, measured at the time of investment.

The maximum borrowing will be limited to 20% of the Company's net assets, measured at the time of borrowing.

No more than 10%, in aggregate, of the value of the Company's assets will be invested in other listed closed-ended investment funds.

In accordance with the Listing Rules, the Company will not make any material change to its published investment policy without the prior approval of the FCA and the approval of its shareholders by ordinary resolution.

Distribution policy

The Company will ensure that its total annual dividends will be paid out of the profits available for distribution under the provisions of the relevant laws and regulations and will be at least sufficient to enable it to qualify as an investment trust under the UK Income and Corporation Taxes Act. If the Company has received an exceptional level of income in any accounting year, the Board may elect to

Business Review (continued)

pay a special dividend. The primary focus of the investment policy is on generating capital returns, the Company does not target a particular level of income and there is no guarantee that dividend levels will be maintained from one year to the next.

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

Dividends will be paid by cheque or by direct transfer to a shareholder's bank account. For UK shareholders holding shares in their own name on the Company's main register, the dividend payments can be used to purchase further shares in the Company under the Dividend Reinvestment Plan, detailed on page 110.

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

Business model

The Company has no employees and all of its Directors are non-executive. The Company delegates its day-to-day activities to third parties.

On 1 October 2021, Franklin Templeton Investment Trust Management Limited ("FTITML", "AIFM" or the "Manager") replaced Franklin Templeton International Services S.à r.l ("FTIS") as the Company's AIFM and company secretary.

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

Strategy

The Company seeks to achieve its objective by following a strategy focused on the following:

Performance

At the heart of the strategy is the appointment and retention of capable investment management professionals, whose aim is to identify value and achieve superior long-term growth for shareholders. The Investment Manager, under the leadership of Chetan Sehgal, continues to apply the same core investment philosophy that has driven TEMIT's performance since the Company's launch. The investment team aims to achieve long-term capital appreciation for shareholders seeking exposure to global emerging markets by investing in companies that they believe offer long-term sustainable growth and good value, combined with strong management and sound governance. See pages 24 to 30 for details of the investment process.

Environmental, social and governance ("ESG") matters

The Investment Manager comments on the integral nature of ESG matters within the investment process and how it engages with companies to promote ESG best practice on pages 26 to 30 of this report. In addition, Franklin Templeton recently published a detailed Stewardship Report for TEMIT and this can be downloaded from our website www.temit.co.uk.

Business Review (continued)

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

Further details of the Investment Manager's approach to responsible investing and of votes cast at investee companies' general meetings in 2021 can be accessed on Franklin Templeton's UK web site under "Sustainable Investing" at www.franklintempleton.co.uk/about-us/our-company/sustainable-investing.

The Board receives regular reports on Franklin Templeton's policies and controls. The Board has reviewed and fully supports the Franklin Templeton Stewardship Statement and its Sustainable Investing Principles and Policies.

TEMIT has no greenhouse gas emissions to report from the operations of the Company, as all of its activities are outsourced to third parties. While as an investment trust TEMIT is exempt from disclosures recommended by the Task Force on Climate-related Financial Disclosures ("TCFD"), Franklin Templeton continues to develop metrics for our carbon footprint. Further information on our approach to climate change can be found under "FTEME's approach to stewardship" above and in more detail in our Stewardship Report, available on our website (www.temit.co.uk).

TEMIT has no employees and is not an organisation that provides goods or services as defined in the Modern Slavery Act 2015 and thus the Company considers that the Act does not apply. The Company's own supply chain consists predominantly of professional services advisers.

Culture and values

The Board believes in a culture of openness and constructive challenge in its interactions with the Manager and other service providers. The Board aims to maintain open and regular communication with shareholders, as set out under Communication on pages 35 and 36.

The Company is committed to acting professionally, fairly and with integrity in all of its business dealings and relationships. The Board has a zero tolerance policy towards bribery and looks to ensure that its service providers and associated persons have effective policies and procedures designed to actively prevent bribery which are proportionate and risk based. In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero tolerance approach to any facilitation of tax evasion whether under UK law or under the law of any foreign country.

Information on the Company's approach to Diversity is set out in the Directors' Report on pages 48 and 49.

Liquidity

The shares issued by the Company are traded on the London and New Zealand stock exchanges. The Company has engaged Winterflood Securities as financial adviser and stockbroker, and to act as a market maker in the shares of the Company.

Gearing

On 31 January 2020, the Company entered into a five-year £100 million loan at a fixed rate of 2.089% with Scotiabank Europe PLC, and a three-year £120 million unsecured multi-currency revolving loan facility with The Bank of Nova Scotia, London Branch. The £100 million fixed term loan is denominated in pounds sterling. Drawings under the £120 million revolving credit facility may be in sterling, US dollars or Chinese renminbi ("CNH"). The total amount which may be drawn down

Business Review (continued)

in CNH is 45% of the combined limit of the fixed rate loan and of the revolving loan facility. The fixed rate loan was drawn down on 31 January 2020 and will remain in place until 31 January 2025. On 18 October 2021, the Company drew down £50 million from the revolving credit facility repayable within six months (2021: revolving credit facility was not utilised). Subsequent to the year end, the Investment Manager rolled forward the £50 million and took this borrowing out for a further six months. The Company has no other debt. The Investment Manager has been granted discretion by the Board to draw down the revolving loan facility as investment opportunities arise, subject to overall supervision by the Board, and subject to the overall gearing limit in TEMIT's investment policy.

The Company's net gearing position was 1.1% (net of cash in the portfolio) at the year-end (2021: 0.5%).

The Board continues to monitor the level of gearing and currently considers gearing of up to 20% to be appropriate, measured at the time of borrowing.

Affirmation of shareholder mandate

In accordance with the Company's Articles of Association, the Board must seek shareholders' approval every five years for TEMIT to continue as an investment trust. This allows shareholders the opportunity to decide on the long-term future of the Company. The last continuation vote took place at the 2019 AGM, when 99.95% of the votes cast were registered as votes in favour. The next continuation vote will take place at the 2024 AGM.

Stability – Share buybacks and Conditional Tender Offer

The Company has powers to buy back its shares as a discount control mechanism and when this is in the best interests of the Company's shareholders and in 2019 introduced a Conditional Tender Offer. The share price discount to net asset value is discussed under Key Performance Indicators on pages 39 and 40.

Under the Conditional Tender Offer, if over the five year period the Company's net asset value total return fails to exceed the benchmark total return the Board will put forward proposals to shareholders to undertake a tender offer for up to 25 per cent of the issued share capital of the Company, at the discretion of the Board. Any such tender offer will be at a price equal to the then prevailing net asset value less two per cent (and less the costs of the tender offer). There will be no tender offer in the event that the Company's net asset value total return exceeds the benchmark total return (MSCI Emerging Markets Index total return) over the five year period from 31 March 2019 to 31 March 2024. Any tender offer would take place following the Company's 2024 AGM and will also be conditional on shareholders approving the continuation vote in 2024 which is described under "Affirmation of shareholder mandate" above.

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

Business Review (continued)

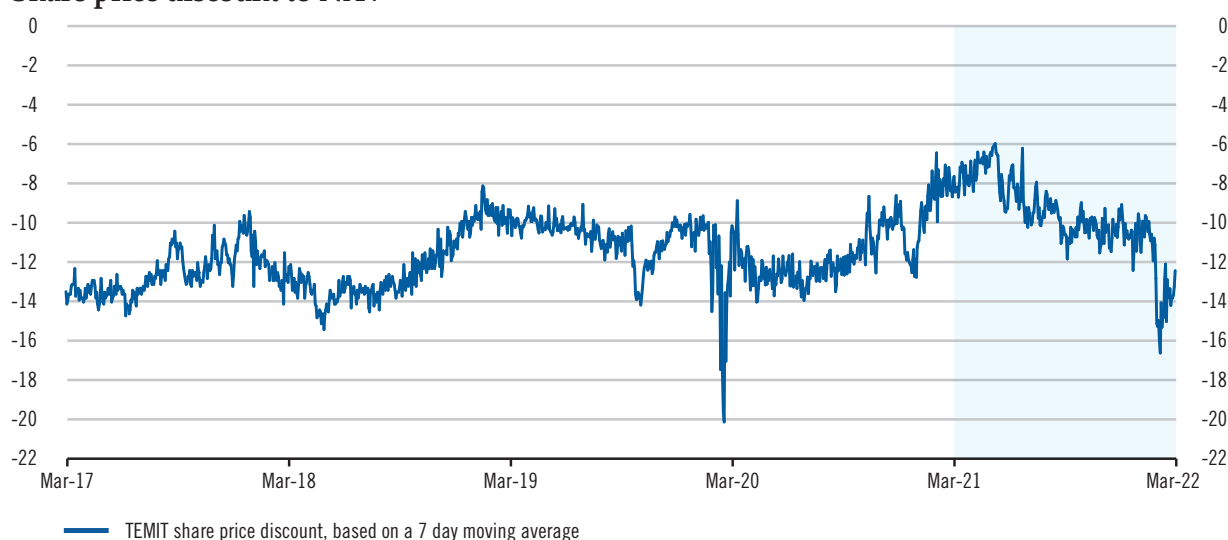
of the share buybacks are included in the following table. All shares bought back in the year were cancelled, with none being placed in treasury. As at 31 March 2022, the Company held 103,825,895 shares in treasury (2021: 103,825,895 shares in treasury^(a)).

	2022	2021
Shares bought back and cancelled during the year ^(a)	2,331,670	31,192,040
Proportion of share capital bought back and cancelled	0.2%	2.6%
Total cost of share buybacks	£3.6m	£49.6m
The benefit to NAV	£0.5m	£6.9m
The percentage benefit to NAV	0.03%	0.3%

(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

Discount management is reviewed regularly by the Board to ensure that it remains effective in the light of prevailing market conditions. The Conditional Tender Offer will not affect the Board's current approach to discount management. The Board will continue to exercise the Company's right to buy back shares when it believes this to be in shareholders' interests and with the aim of reducing volatility in the discount.

Share price discount to NAV



Communication

The Board works to ensure that investors are informed regularly about the performance of TEMIT and of emerging markets through clear communication and updates. The Board is fully committed to TEMIT's marketing programme. There is a substantial annual marketing and communication budget and expenditure by TEMIT is matched by a contribution to costs from the Manager.

TEMIT won the prestigious Best Campaign Award at the AIC Shareholder Awards 2022 in recognition of the quality of the "Your future is emerging" campaign undertaken to attract new shareholders. The innovative use of broadcast media has helped to increase TEMIT's profile, advertise the benefits of the Company and communicate the growth story of emerging markets to a wider audience.

A new corporate identity was launched in January 2022 providing TEMIT with a unique brand for the first time.

Business Review (continued)

TEMIT seeks to keep shareholders updated on performance and investment strategy through its regular annual and half yearly reports, along with monthly factsheets and commentaries. These are available on the TEMIT website (www.temit.co.uk) which also contains portfolio holdings information, updates from the Investment Manager and other important documents that will help shareholders to understand how their investment is managed. We also communicate via @TEMIT on Twitter and continue to develop the Company's presence across social media platforms. The Board encourages registration to our monthly email that keeps subscribers apprised of the latest performance, insights and announcements.

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

The Investment Manager meets regularly with professional investors and analysts and hosts interactive webinars. At each AGM the Investment Manager makes a presentation with the opportunity for all shareholders to ask questions.

The Chairman regularly meets major shareholders to discuss investment performance and developments in corporate governance. We try to engage with a wide spectrum of our shareholders and aim to address their concerns as far as practically possible. Shareholders are welcome to contact the Chairman or the Chairman of the Audit and Risk Committee at any time via temitcosec@franklintempleton.com.

Section 172 Report – Promoting the success of the Company

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

Section 172 Matter	Board's Statement
The likely consequences of any decision in the long term.	The Board is focused on promoting the long-term success of the Company and regularly reviews the Company's long-term strategic objectives, including consideration of the impact of the investment manager's actions on the marketability and reputation of the Company and the likely impact on the Company's stakeholders of the Company's strategy.
The interests of the Company's employees.	The Company has no direct employees.
The need to foster the Company's business relationships with suppliers, customers and others.	The Board's approach to its key stakeholders is set out below.
The impact of the Company's operations on the community and the environment.	The Board's approach is set out in the section on ESG under Strategy and Business Model on pages 32 and 33.
The desirability of the Company maintaining a reputation for high standards of business conduct.	The Board's approach is set out in 'Culture and values' on page 33.
The need to act fairly between members of the Company.	The Board's approach to its key stakeholders is set out below.

Business Review (continued)

In addition to the primary focus of the Board, and with due regard to its obligations under Section 172 of the Companies Act 2006, the following non-routine matters were considered at Board meetings during the year:

- Recruitment of Magdalene Miller as a non-executive Director;
- Changes to the risk matrix, monitoring such changes carefully and introducing alternative mitigating controls where necessary and practicable to support the operation of an effective control environment;
- Pandemic risks affecting the Company's investments and business operations;
- Risks resulting from the Russian invasion of Ukraine and the valuation of Russian assets;
- Review of the marketing plan with the Manager;
- Review of the share buyback programme; and
- Review of the gearing facility.

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

Stakeholders	Area of Engagement	Consideration	Engagement	Outcome
Shareholders and potential investors	Company objective	Delivering on the Company's objective to shareholders over the long term.	The Company's objective and investment policy are set out on page 31.	The Investment Manager's commentary commencing on page 8 gives a full commentary on the Company's portfolio as well as on the approach and considerations undertaken by the Investment Manager for stock selection within the portfolio.
			The Company's performance against its objective is regularly reviewed by the Board, taking account of views expressed by shareholders.	
			The Company holds a continuation vote every five years to allow shareholders to decide on the long-term future of the Company.	A continuation vote took place at the 2019 AGM, with 99.95% of votes cast in favour. The next continuation vote is scheduled to take place at the AGM in 2024.

Business Review (continued)

Stakeholders	Area of Engagement	Consideration	Engagement	Outcome
Shareholders and potential investors	Dividend	The objective of the Company is to provide long term capital appreciation, however the Board recognises the importance of regular dividend income to many shareholders.	The Board reviews regularly the level of dividends, taking account of the income generated by the Company's portfolio and the availability of reserves. In considering the sustainability of the dividend and of the Company, the Board reviews the models supporting the going concern assessment and viability statement.	Dividend payments are discussed in the Chairman's Statement.
Shareholders and potential investors	Communication with shareholders	The Board understands the importance of communication with its shareholders and maintains open channels of communication with shareholders.	Working closely with the Manager the Board ensures that there is a variety of regular communication with shareholders.	Full details of all Board and Manager communication are included on page 107. Shareholders are invited to submit questions for the Board to address at the Company's Annual General Meeting.
Shareholders and potential investors	Discount management	To smooth the volatility in the discount.	The Board monitors the discount closely and discusses discount strategy with the Investment Manager and the Company's stockbroker at every regular Board meeting. The stockbroker provides a summary of the discount and market conditions to the Board and Investment Manager at the close of each trading day in London. The Board also meets with the Investment Manager to discuss the Company's marketing strategy to ensure effective communication with existing shareholders and to consider strategies to create additional demand for the Company's shares.	TEMIT continues to adopt an active buy back policy and has a Conditional Tender Offer. Details of these can be found under "Stability – Share buybacks and Conditional Tender Offer" on pages 34 and 35. Further details of the current discount and discount management are detailed in the Chairman's Statement under "Share rating" on page 6.

Business Review (continued)

Stakeholders	Area of Engagement	Consideration	Engagement	Outcome
Manager	Communication between the Board and the Manager	The relationship of the Board with the Manager is very important.	The Manager attends all Board meetings where it reviews and discusses performance reports, changes in the portfolio composition and risk matrix. The Board receives timely and accurate information from the Manager and engages with the Investment Manager and the secretary between meetings as well with other representatives of the Manager as and when it is deemed necessary.	The Board operates in a supportive and open manner, challenging the activity of the Manager and its results. The Board believes that the Company is well managed and the Board places great value on the experience of the Investment Manager to deliver superior long-term returns from investments and on the other functions of the Manager to fulfil their roles effectively.
Third-party service providers	Engagement with service providers	The Board acknowledges the importance of ensuring that the Company's service providers are providing a suitable level of service, that the service level is sustainable and that they are fairly remunerated for their service.	As an investment company all services are outsourced to third-party providers. The Board considers the support provided by service providers including the quality of the service, succession planning and any potential interruption of service or other potential risks.	The Manager maintains the overall day-to-day relationship with the service providers and the Board undertakes an annual review of the performance of the Company's service providers. This review also includes the level of fees paid. The Board meets with service providers as and when considered necessary.
Investee companies	Engagement with investee companies	The relationship between the Company and the investee companies is very important.	The Board discusses stock selection and asset allocation on a quarterly basis. On behalf of the Company the Investment Manager engages with investee companies implementing corporate governance principles.	The Investment Manager has a dedicated research team that is employed in making investment decisions and when voting at shareholder meetings of investee companies.

Key Performance Indicators

The Board considers the following to be the key performance indicators ("KPIs") for the Company:

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

Business Review (continued)

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

Net asset value and share price total return^(a)

Net asset value and share price total return data is presented within the Company Overview on page 1 along with the Ten Year Record on pages 3 and 4.

The Chairman's Statement on pages 5 to 7 and the Portfolio Report on pages 9 to 23 include further commentary on the Company's performance.

Share price discount to net asset value

Details of the Company's share price discount to net asset value is presented within the Financial Summary on page 2. On 31 May 2022, the latest date for which information was available, the discount was 12.3%.

The Company has powers to buy back its shares as a discount control mechanism when it is in the best interests of the Company's shareholders and has a Conditional Tender Offer mechanism. These are described under "Stability – Share buybacks and Conditional Tender Offer" on pages 34 and 35.

Dividend and revenue earnings

Total income earned in the year was £54.3 million (2021: £59.9 million) which translates into net revenue earnings of 3.44 pence per share (2021: 3.50 pence per share, adjusted for the stock split and the extra-ordinary Corporation Tax refund), a decrease of 2% over the prior year.

The Company paid an interim dividend of 1.00 pence per share on 10 January 2022. The Board is proposing a final dividend of 2.80 pence per share, making total ordinary dividends for the year of 3.80 pence per share.

Ongoing charges ratio^(a) ("OCR")

The OCR remained constant at 0.97% for the year ended 31 March 2022, compared to the prior year.

Costs associated with the purchase and sale of investments are taken to capital and are not included in the OCR. Transaction costs are disclosed in Note 8 of the Notes to the Financial Statements on page 90.

^(a) A glossary of alternative performance measures is included on pages 111 and 112.

Business Review (continued)

Principal and emerging risks

At least quarterly, the Board reviews with the AIFM and the Investment Manager a wide range of risk factors that may impact the Company. A full review of risks and internal controls is held every September by the Audit and Risk Committee. The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These are summarised in the table below.

Further explanation of the monitoring of risk and uncertainties is covered within the Report of the Audit and Risk Committee on page 66. Information on the risks that TEMIT is subject to, including additional financial and valuation risks, are also detailed in Note 15 of the Notes to the Financial Statements.

Due to the nature of the Company's business, investment risk is a key focus and is reviewed on an ongoing basis by the Investment Manager as part of every investment decision. Further information on this process is detailed on page 26.

Risk	Mitigation
Market and geo-political Market risk arises from volatility in the prices of the Company's investments, from the risk of volatility in global markets arising from macroeconomic and geopolitical circumstances and conditions. Many of the companies in which TEMIT invests are, by reason of the locations in which they operate, exposed to the risk of political or economic change. In addition, sanctions, exchange controls, tax or other regulations introduced in any country in which TEMIT invests may affect its income and the value and the marketability of its investments. Emerging markets can be subject to greater price volatility than developed markets. In the first quarter of 2022, geopolitical risk was highlighted by the Russian invasion of Ukraine, with the resultant effects on global trade posed by supply shocks, sanctions, higher levels of inflation and volatility in asset prices.	The Board reviews regularly and discusses with the Investment Manager the portfolio, the Company's investment performance and the execution of the investment policy against the long-term objectives of the Company. The Manager's independent risk team performs systematic risk analysis, including country and industry specific risk monitoring, as well as stress testing of the portfolio's resilience to geopolitical shocks. The Manager's legal and compliance team monitors sanctions. Where TEMIT is affected, adherence to all sanctions and restrictions is ensured by this team. The Board also regularly reviews reports from the Manager's risk, legal and compliance teams.
Pandemic The spread of infectious illnesses or other public health issues and their aftermaths, such as the outbreak of COVID-19, first detected in China in December 2019 and later spreading globally, could have a significant adverse impact on the Company's operations (including the ability to find and execute suitable investments) and therefore, the Company's potential returns. In large parts of the world restrictions on social contact and travel have been reduced or removed completely but this is not the case in some countries, notably China, and there remains a risk of further outbreaks and ongoing lockdowns. The current COVID-19 outbreak, as well as the restrictive measures implemented to control such outbreaks, could continue to adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies (including those that are held by, or are counterparties or service providers to, the Company) and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term.	The Board has regularly reviewed and discussed the situation with the Investment Manager, including a review of the portfolio, risk management and business continuity. The risks associated with a pandemic affect all areas of the Company's investments as well as operations. Mitigation strategies apply as detailed within the specific areas of risk. A global network of analysts and operations and a flexible technology setup (including the ability to "work from home") at the Investment Manager ensure operational business continuity and continuous analyst coverage. The Board has also received updates on its key service providers' business continuity plans.

Business Review (continued)

Risk	Mitigation
Cyber Failure or breach of information technology systems of the Company's service providers may entail risk of financial loss, disruption to operations or damage to the reputation of the Company.	The Company benefits from Franklin Templeton's technology framework designed to mitigate the risk of a cyber security breach. For key third-party providers, the Audit and Risk Committee receives regular independent certifications of their control environment.
Concentration Concentration risk arises from investing in relatively few holdings, few sectors or a restricted geographic area. Performance may be more volatile than with a greater number of securities.	The Board reviews regularly the portfolio composition/ asset allocation and discusses related developments with the Investment Manager and the independent risk management team. The Investment Compliance team of the Investment Manager monitors concentration limits and highlights any concerns to portfolio management for remedial action.
Sustainability and climate change The Company's portfolio, and also the Company's service providers and the Investment Manager, are exposed to risks arising from governance and sustainability factors, including climate change. To the extent that such a risk occurs, or occurs in a manner that is not anticipated by the Investment Manager, there may be a sudden, material negative impact on the value of an investment, and the operations or reputation of the Investment Manager.	The Investment Manager considers that sustainability risks are relevant to the returns of the Company. The Manager has implemented a policy in respect of the integration of sustainability and climate change risks in its investment decision making process. The Board receives regular reports on the policies and controls in place on ESG matters. The Board has reviewed and fully supports the Franklin Templeton Stewardship Statement and its Sustainable Investing Principles and Policies.
Foreign currency Currency exchange rate movements may affect TEMIT's performance. In general, if the value of sterling increases compared with a foreign currency, an investment traded in that foreign currency will be worth less in sterling terms. This can have a negative effect on the Company's performance.	The Board monitors currency risk as part of the regular portfolio and risk management oversight. TEMIT does not hedge currency risk.
Portfolio liquidity The Company's portfolio may include securities with reduced liquidity. This may impair the ability to sell assets which could limit the Investment Manager's ability to make significant changes to the portfolio. This risk was highlighted by the Russian invasion of Ukraine in February 2022. The five Russian stocks owned at the time of the invasion became impossible to trade and were written down to zero value.	The closed ended structure of TEMIT reduces the impact to shareholders of potential illiquidity in the portfolio. The Board receives and regularly reviews updates on portfolio liquidity. The diversified nature of the portfolio and limited investments in stocks with lower liquidity result in a balanced portfolio structure.
Counterparty and credit Certain transactions that the Company enters into expose it to the risk that the counterparty will not deliver an investment (purchase) or cash (in relation to a sale or declared dividend) after the Company has fulfilled its responsibilities. The Company engages in securities lending which can increase counterparty risk.	The Board receives and reviews the approved counterparty list of the Investment Manager on an annual basis and receives and reviews regular reports on counterparty risk from the Manager's independent risk team. A dedicated team oversees the securities lending programme and evaluates all risks on a daily basis.

Business Review (continued)

Risk	Mitigation
Operational and custody Like many other investment trust companies, TEMIT has no employees. The Company therefore relies upon the services provided by third parties and is dependent upon the control systems of the Investment Manager and of the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements depends on the effective operation of these systems.	The Manager's systems are regularly tested and monitored and an internal controls report, which includes an assessment of risks together with an overview of procedures to mitigate such risks, is prepared by the Manager and reviewed by the Audit and Risk Committee. J.P. Morgan Europe Limited is the Company's depositary. Its responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and borrowing requirements. The depositary is liable for any loss of financial instruments held in custody and will ensure that the custodian and any sub-custodians segregate the assets of the Company. The depositary oversees the custody function performed by JPMorgan Chase Bank. The custodian provides a report on its key controls and safeguards (SOC 1/ SSAE 16/ISAE 3402) that is independently reported on by its auditor, PwC. The Board reviews regular operational risk management reporting provided by the Investment Manager.
Key personnel The ability of the Company to achieve its objective is significantly dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff.	The Manager endeavours to ensure that the principal members of its management teams are suitably incentivised, participate in strategic leader programmes and monitor key succession planning metrics. The Board discusses this risk regularly with the Manager.
Regulatory The Company is an Alternative Investment Fund ("AIF") and is listed on both the London and New Zealand stock exchanges. The Company operates in an increasingly complex regulatory environment and faces a number of regulatory risks. Breaches of regulations could lead to a number of detrimental outcomes and reputational damage.	The Board, with the assistance of the Manager, ensures that the Company complies with all applicable laws and regulation and its internal risk and control framework reduces the likelihood of breaches happening.

Emerging risks

The key emerging risk faced by the Company during the year under review was the Russian invasion of Ukraine, discussed under geo-political and liquidity risks above. The extent of this risk will depend on the length of the conflict, impacts on commodity prices and associated inflationary pressure.

Viability Statement

The Board considers viability as part of its continuing programme of monitoring risk. In preparing the Viability Statement, in accordance with the UK Corporate Governance Code and the AIC Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

The Board has considered the Company's business and investment cycles and is of the view that five years is a suitable time horizon to consider the continuing viability of the Company, balancing the uncertainties of investing in emerging markets securities against having due regard to viability over the longer term.

Business Review (continued)

In assessing the Company's viability, the Board has performed a robust assessment of controls over the principal risks. The Board considers, on an ongoing basis, each of the principal and emerging risks as noted above and set out in Note 15 of the Notes to the Financial Statements. The Board evaluated a number of scenarios of possible future circumstances including a material increase in expenses and a continued significant and prolonged fall in emerging equity markets. The Board also considered the latest assessment of the portfolio's liquidity. The Board monitors income and expense projections for the Company, with the majority of the expenses being predictable and modest in comparison with the assets of the Company. The Company sees no issues with meeting interest payments and other principal obligations of the borrowing facilities. A significant proportion of the Company's expenses are an ad valorem AIFM fee, which would naturally reduce if the market value of the Company's assets were to fall. The Board has also taken into consideration the operational resilience of its service providers in light of the ongoing COVID-19 pandemic.

Considering the above, and with careful consideration given to the current market situation, the ongoing COVID-19 pandemic, the Russian invasion of Ukraine and the challenges posed by climate change, the Board has concluded that there is a reasonable expectation that, assuming that there will be a successful continuation vote at the 2024 AGM, the Company will be able to continue to operate and meet its liabilities as they fall due over the next five years.

Future Strategy

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

The Company's results will be affected by many factors including political decisions, economic factors, the performance of investee companies and the ability of the Investment Manager to choose investments successfully as well as the current challenges.

The Board and the Investment Manager continue to believe in investment with a long-term horizon in companies that are undervalued by stock markets but which are fundamentally strong and growing. It is recognised that, at times, extraneous political, economic and company-specific and other factors will affect the performance of investments, but the Company will continue to take a long-term view in the belief that patience will be rewarded.

By order of the Board

Paul Manduca

14 June 2022

Report of the Directors and Governance

Directors' Report

The Board is responsible for framing and executing the Company's strategy and for monitoring risks closely. The Board endeavours to run the Company in a manner which is responsible, honest, transparent and fully accountable. In the Board's view, good governance means managing the Company's business well and engaging effectively with investors and other stakeholders. The Board considers the practice of good governance to be an integral part of the way that it manages the Company and it is committed to maintaining the highest standards of financial reporting, transparency and business integrity.

The Directors submit their Annual Report, together with the Financial Statements of the Company, for the year ended 31 March 2022.

Board of Directors

Paul Manduca

(Chairman of Board & Chairman of Management Engagement Committee: 20 November 2015, Chairman of Nomination and Remuneration Committee: 22 February 2016)
Date of appointment: 1 August 2015

Paul has had a long and successful career in asset management, both as a fund manager and as chief executive of fund management groups. Paul will continue to draw on his extensive experience in leadership roles and his knowledge of the international markets and industry sectors, and his technical knowledge.

Other Current Appointments:

- St. James's Place plc (Chairman)
- W.A.G Payment Solutions plc (Chairman)

Paul is an independent Director.

David Graham

Date of appointment:
1 September 2016

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

Other Current Appointments:

- Fidelity Japan Trust (Chairman)
- JPMorgan China Growth & Income plc (Chair of the Audit Committee)
- DSP India Investment Fund (Non-Executive Director)
- DSP India Fund (Non-Executive Director)

David is an independent Director.

Directors' Report (continued)

Beatrice Hollond

(Senior Independent Director:
12 July 2018)

Date of appointment: 1 April 2014

Beatrice had a long career in the investment industry, starting as UK equity analyst at Morgan Grenfell, before spending 16 years at Credit Suisse Asset Management. Beatrice has experience as a fund manager, as well as 14 years' experience as a non-executive Director in the investment trust sector. Beatrice contributes experience across a number of sectors and in particular listed company experience and the financial services industry, including asset management.

Other Current Appointments:

- Oldfield & Co (Chair)
- Brown Advisory: US (Board member and Chair of RemCo); UK (Chairman of International Advisory Board)
- Telecom Plus PLC (Senior Independent Non-Executive Director)
- F & C Investment Trust PLC (Chair)

Beatrice is an independent Director. Beatrice will retire at this year's AGM.

Simon Jeffreys

(Chairman of the Audit and Risk
Committee: 13 July 2017)

Date of appointment: 15 July 2016

Simon has extensive experience in audit and he has a wide-ranging understanding of the business. He draws on previous experience across internal audit, finance and compliance, as well as technical knowledge, relevant to his role. He was a senior audit partner in PricewaterhouseCoopers for most of his professional career, where he was the global leader of the firm's investment management and real estate practice. Simon was the Chief Administrative Officer for Fidelity International, and then the Chief Operating Officer of The Wellcome Trust.

Other Current Appointments:

- Aon UK Ltd (Chairman and Chair of the Audit Committee from 2009 to 2015)
- St James's Place plc (Chair of Audit Committee and member of the Remuneration and Risk Committees)
- SimCorp A/S (Chair of Audit and Risk Committee)
- Crown Prosecution Service (Chair of Audit and Risk Committee)
- Henderson International Income Investment Trust (Chairman)

Simon is an independent Director.

Directors' Report (continued)

Charlie Ricketts

Date of appointment: 12 July 2018

With over 30 years' experience in the investment trust sector, Charlie brings a wealth of experience to the Board. He was Head of Investment Funds at Cenkos Securities for 8 years and prior to that was Managing Director, Head of Investment Companies at UBS Investment Bank. Since stepping down from Cenkos in 2014 he has pursued several business and charitable interests. Charlie has a wide-ranging understanding of the business and draws on previous experience across finance, corporate communication and risk management, as well as technical knowledge.

Other Current Appointments:

- Asia Dragon Trust plc (Non-Executive Director)

Charlie is an independent Director.

Magdalene Miller

Date of appointment: 10 May 2021

Magdalene is a former investment director who specialised in investments in global emerging markets. Based in London and Edinburgh, she spent 32 years managing listed equity portfolios, investing in Japanese, Asian Pacific and UK markets. Born in Hong Kong, Magdalene is fluent in Cantonese and Mandarin and has travelled extensively in China and Asia over the course of her career. She currently serves as a trustee for an educational endowment fund and participates in volunteering work.

Other Current Appointments:

- Baillie Gifford China Growth Trust
(Non-Executive Director)

Magdalene is an independent director.

Medha Samant resigned as an independent director on 19 April 2021.

Details of the fees earned by each Director can be found on page 59. The Directors' interests in the Company's shares are noted on page 61.

Appointment and re-election of Directors

Directors are initially appointed by the Board after a rigorous selection process and each Director is then subject to annual re-election by the shareholders. Thereafter, a Director's appointment is subject to a performance evaluation carried out each year and the approval of shareholders at each Annual General Meeting, in accordance with corporate governance best practice. When making a recommendation, the Board considers the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees.

The terms and conditions of the Directors' appointments are set out in their Letters of Appointment, which are available for inspection on request at the registered office of the Company and at the AGM. The terms of appointment provide that a Director will be subject to re-election at each AGM.

Directors' Report (continued)

A Director may be removed from office following three months' notice. The Board has agreed that the independent Directors should stand down after nine years from their initial appointment other than in exceptional circumstances. Directors are prepared to resign or take steps that could lead to a loss of office at any time in the interests of long-term shareholder value. The continuation of an appointment is contingent on satisfactory annual performance evaluation. A director may resign by notice in writing to the Board at any time and there is no notice period for resignation.

The Board

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

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 March 2022. During the course of its review the Board has not identified or been advised of any significant failings or weaknesses relating to the Company.

Further details of the Directors' responsibilities can be found in the Statement of Directors' Responsibilities on page 68.

Board Evaluation

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

The independence of each Director was checked considering the provisions of the Corporate Governance Code. The experience, balance of skills, diversity, time commitment, tenure of each Director, openness, spirit of debate and knowledge of the Board were considered as well as Board effectiveness, role and structure. The Board notes that where cross-directorships exist the Board has discussed and is satisfied that these are not material and do not impair the Directors' independence. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described above. An evaluation of the Chairman by his fellow Directors was facilitated by Beatrice Hollond, the Senior Independent Director, who met with the Chairman to discuss how the Chairman leads the Board. The Directors consider that the Chairman facilitates constructive Board relations and the effective contribution of all Directors, ensures that Directors receive accurate, timely and clear information and is responsible for the Board's overall effectiveness in directing the Company.

The Chairman confirms that, following the annual performance evaluation, each Director's performance continues to be effective, demonstrating commitment to their role and each independent Director is recommended for re-election at the AGM. The Chairman also confirms that each Committee's performance continues to be effective in fulfilling its responsibilities and duties. Formal performance evaluations will continue to take place at least annually with the appointment of an external facilitator every three years.

Beatrice Hollond is stepping down from the Board at the conclusion of the AGM and will not be standing for re-election.

Diversity

TEMIT's aim is to have an appropriate level of diversity in the boardroom.

Directors' Report (continued)

The Board acknowledges and welcomes the recommendations from the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic representation. The Nomination and Remuneration Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, thought, experience and qualification. The prime responsibility, however, is the strength of the Board and the overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit.

In all of the Board's activities, there has been and will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

As at 31 March 2022 the Board comprised six Directors, four male and two female. One of six Directors is from an ethnic minority background.

The Board also takes a close interest in diversity at the Manager. Franklin Templeton has a culture which embraces individual differences and the wealth of perspectives brought by diversity. As a global company, Franklin Templeton believes that it benefits from the unique skills and experiences of an inclusive workforce made up of employees who span different generations, genders, preferences, capabilities and cultural identification. It also believes that an inclusive culture can drive innovation and allows the firm to deliver better client outcomes. In 2022, Franklin Templeton was pleased to earn a top score of 100 percent on the Human Rights Campaign ("HRC") Foundation's 2022 Corporate Equality Index ("CEI") which measures corporate policies and practices related to LGBTQ+ workplace equality, for the sixth consecutive year. Franklin Templeton sponsors thousands of volunteer activities each year through its global Involved programme which helps to provide better outcomes for local communities. In the UK, it is an active sponsor/supporter of several organisations that promote inclusion and social mobility such as the Diversity Project, Stonewall and Career Ready.

Succession planning and recruitment

When considering succession planning, the Nomination and Remuneration Committee bears in mind the tenure, balance of skills, knowledge, experience and diversity existing on the Board.

The recruitment process which led to the appointment of Magdalene Miller commenced in April 2021 and was facilitated by Trust Associates as the appointed external agency. Trust Associates does not undertake any other services for TEMIT and has no connection with any of the Directors. The list of candidates identified was discussed by the Nomination and Remuneration Committee and the preferred candidates were invited for interviews. The Nomination and Remuneration Committee recommended that the Board appoint Magdalene Miller after assessing the candidates against objective criteria and with due regard to the benefits of diversity (including gender, social, ethnic backgrounds) as well as cognitive and personal strengths and time available to discharge her responsibilities fully and effectively. Magdalene Miller was appointed as a non-executive Director of the Company, with effect from 10 May 2021.

Beatrice Hollond will retire at the AGM on 14 July 2022. The Board has engaged Trust Associates as the appointed external agency in the recruitment process for a new Director, as noted above. Trust Associates does not undertake any other services for TEMIT and has no connection with any of the Directors. The search for a replacement Director is in progress and the Company will make an announcement shortly.

The succession plan agreed by the Nomination and Remuneration Committee includes an emergency succession plan identifying contingency arrangements.

The Nomination and Remuneration Committee also reviews and recommends to the Board the reappointment of the Directors. The recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Nomination and Remuneration Committee also considers the mix of skills and experience of the current Board members.

Directors' Report (continued)

Meetings and committees

The Board delegates certain responsibilities and functions to committees. Five Directors are members of all committees. The Chairman is not a member of the Audit and Risk Committee, but he attends the Audit and Risk Committee meetings by invitation.

The table below details the number of Board and Committee meetings attended by each Director. During the year, there were six Board meetings, three Audit and Risk Committee meetings, one Management Engagement Committee meeting, and two Nomination and Remuneration Committee meetings.

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination and Remuneration Committee
Paul Manduca	6/6	3/3 ^(a)	1/1	2/2
David Graham	6/6	3/3	1/1	2/2
Beatrice Hollond	6/6	3/3	1/1	2/2
Simon Jeffreys	6/6	3/3	1/1	2/2
Charlie Ricketts	6/6	3/3	1/1	2/2
Magdalene Miller	6/6	3/3 ^(b)	1/1	2/2

^(a) Attended three out of three meetings of the Audit and Risk Committee by invitation including when the Annual Report and Half Yearly Report were being drafted and the Company's risk matrix was being reviewed.

^(b) Attended two meetings of the Audit and Risk Committee by invitation and was subsequently appointed to the Audit and Risk Committee in November 2021.

The **Audit and Risk Committee** is chaired by Simon Jeffreys. The formal Report of the Audit and Risk Committee is on pages 62 to 67.

The **Management Engagement Committee** is chaired by the Chairman of the Board and all Directors are members of the committee. The primary role of the committee is to review the performance of, and the contractual arrangements with, the Manager. The Management Engagement Committee held one meeting during the year and undertook a formal review of the Manager and of the Investment Manager.

The review considered investment strategy, investment process, performance and risk, and was carried out through meetings between the Management Engagement Committee and members of the investment and risk management teams of the Manager. When assessing the performance of the Manager and of the Investment Manager, the committee believes that it is appropriate to make this assessment over a medium to long-term timeframe, which is in accordance with the long-term approach taken to investment. As a result of the evaluation process performed by the Management Engagement Committee, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

The **Nomination and Remuneration Committee** is chaired by the Chairman of the Board and all Directors are members of the committee. The Nomination and Remuneration Committee held three formal meetings during the year and discussed the annual evaluation process for the Board, the individual Directors and the Chairman and succession planning. The role of the Nomination and Remuneration Committee is to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that seem appropriate, to consider the rotation and renewal of the Board, approve the candidate specification for all Board appointments, approve the process by which suitable candidates are identified and

Directors' Report (continued)

short-listed, and to nominate candidates for consideration by the full Board, whose responsibility it is to make appointments. The Nomination and Remuneration Committee also considers the effectiveness of individual Directors and makes recommendations to the Board in respect of re-elections. The Nomination and Remuneration Committee keeps under review the balance of skills, independence, knowledge of the Company and experience and length of service of the Directors. During the year under review, the Nomination and Remuneration Committee managed the recruitment process which led to the appointment of Magdalene Miller.

The Nomination and Remuneration Committee annually reviews the level of fees paid to the Chairman, the Chairman of the Audit and Risk Committee and other Directors' relative to other comparable companies and in the light of the Directors' responsibilities.

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

Conflicts of interest

The Company maintains a register of Directors' interests which has been disclosed to, and approved by, the Board. The list of interests of each Director is reviewed at every Board meeting. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict. The Board confirms that at 31 March 2022 and the date of this report there were no conflicts of interest.

Indemnification and insurance

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

The Company

Principal activity and investment company status in the UK

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

The Company has been accepted as an approved investment trust by HM Revenue & Customs for accounting periods commencing on or after 1 April 2012, subject to continuing to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of The Investment Trust (Approved Company) (Tax) Regulations 2011. The Directors are satisfied that the Company intends to direct its affairs to ensure its continued approval as an investment trust.

Results and Dividends

The capital loss for the year was £483.1 million (2021: profit of £866.2 million) and the revenue profit was £40.7 million (2021: £68.2 million).

The full results for the Company are disclosed in the Statement of Comprehensive Income on page 77.

Directors' Report (continued)

The Directors propose a final ordinary dividend of 2.80 pence per share. Including the interim dividend of 1.00 pence per share, which was paid by the Company on 10 January 2022, this represents an annual ordinary dividend of 3.80 pence per share (2021: 3.80 pence per share) and, if approved by shareholders at the AGM on 14 July 2022, the final dividend will be payable on 28 July 2022 to shareholders on the register at close of business on 1 July 2022.

Financial

Share capital and gearing

Changes in the share capital of the Company are set out in Note 12 of the Notes to the Financial Statements.

At the AGM on 8 July 2021, shareholders approved a Share Split, in which the Company's previous shares of 25p each were each divided into new ordinary shares of 5p each. The Share Split took effect on 26 July 2021.

As part of the Company's objective and current investment policy, the Company may borrow up to 20% of its net assets. The current gearing is discussed in the Business Review on pages 33 and 34.

Share buybacks

The Board is again seeking shareholder permission to continue its programme of share buybacks as outlined under "Stability – Share buybacks and Conditional Tender Offer" on pages 34 and 35.

Auditor

Ernst & Young LLP was appointed in 2019 as the Company's auditor. Ernst & Young LLP has expressed a willingness to continue in office as auditor and a resolution proposing its reappointment will be submitted at the AGM. Further details on the assessment of the auditor can be found within the Report of the Audit and Risk Committee on page 65.

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

Substantial shareholdings

As at 31 May 2022, 31 March 2022 and 31 March 2021, the Company had been notified that the following were interested in 3% or more of the issued share capital of the Company.

Name	31 May 2022		31 March 2022		31 March 2021	
	Number of shares	%	Number of shares	%	Number of shares	%
City of London Investment Management Company Limited	254,823,495	21.65	238,591,539	20.24	40,485,962	17.14
Lazard Asset Management LLC Group	116,818,278	9.92	108,822,695	9.23	22,551,799	9.55
Investec Wealth & Investment Limited	71,527,745	6.08	74,370,335	6.31	15,246,469	6.45
Allspring Global Investments, LLC	71,452,346	6.07	63,527,818	5.39	-	-
Rathbone Brothers PLC	47,835,966	4.06	53,807,350	4.56	9,914,163	4.20
Quilter Cheviot Investment Management	46,005,791	3.91	55,516,380	4.71	10,935,176	4.63

Directors' Report (continued)

Principal service providers

Alternative Investment Fund Manager, Secretary and Administrator

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

The main secretarial duties involve compliance with statutory and regulatory obligations which the Company must observe. All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. The appointment of the Company Secretary was discussed and approved by the Board and the secretarial activity is reviewed on an annual basis.

The current annual fee rate for the services provided by FTITML, including investment management, risk management, secretarial and administration services, is 1% of net assets up to £1 billion and 0.80% of net assets above £1 billion. With effect from 1 July 2022, the fee rates will change to:

- 1% on the first £1 billion of net assets;
- 0.75% on net assets between £1 billion and £2 billion; and
- 0.5% on net assets over £2 billion.

The agreement between the Company and FTITML may be terminated by either party, giving one year's notice, but in certain circumstances the Company may be required to pay compensation to FTITML of an amount up to one year's fee in lieu of notice. No compensation is payable if at least one year's notice of termination is given.

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis, and a formal review is conducted annually by the Management Engagement Committee. In the opinion of the Directors, the continuing appointment of FTITML is in the best interests of the shareholders as a whole.

Depositary and Custodian

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

A detailed list of service providers, along with addresses, can be found in the General Information section on page 108.

Corporate Governance

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

Association of Investment Companies Code of Corporate Governance

The Board has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses the Principles and Provisions set out in the 2018 UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company as an investment Company.

Directors' Report (continued)

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides the relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code which also meets the obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules). The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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

Additional Information for New Zealand Shareholders

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

- The corporate governance rules and principles in TEMIT's home exchange jurisdiction of the United Kingdom may materially differ from the New Zealand Stock Exchange ("NZX") corporate governance rules and the principles of the NZX Corporate Governance Code;
- Investors may find more information about the corporate governance and principles of TEMIT's home exchange in the United Kingdom in the above Corporate Governance statement and online at www.frc.org.uk/corporate/ukcgcode.cfm; and
- The Company relies on the Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2021, issued by the New Zealand Financial Markets Authority, which exempts it from certain financial reporting obligations under the Financial Markets Conduct Act 2013.

Schedule of Reserved Matters

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

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

Activities in the Field of Research and Development

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

Disclosures in Strategic Report

The Company has chosen, in accordance with Section 414C(11) of the Companies Act 2016, to include in the Strategic Report likely future developments in the Company's business as well as any important events affecting the Company which have occurred since the end of the financial year, an indication of the financial risk management objectives and policies information relating to the Company's greenhouse gas emissions, diversity, and the Modern Slavery Act 2015.

Directors' Report (continued)

Articles of Association

The Company may change its Articles of Association by special resolution of its shareholders.

Internal control

Details of the Company's system of internal controls can be found on page 66.

Annual General Meeting

The AGM will be held on Thursday 14 July 2022 at Barber-Surgeons' Hall, Monkwell Square, Wood St, Barbican, London EC2Y 5BL. Further details regarding the AGM are set out in the Notice of Meeting on page 102.

Whether you intend to attend the meeting in person or not, you are strongly encouraged to submit your votes on the AGM resolutions in advance of the meeting. Submitting votes by proxy does not preclude you attending the meeting or changing your vote if you attend the AGM but your votes will be counted if restrictions preventing attendance at the AGM are introduced at short notice.

While we are inviting all shareholders to attend our AGM in person, the Directors are aware that Government guidance and regulation relating to the COVID-19 pandemic may change. If we are required to change the AGM arrangements we will write to shareholders, make an announcement via the London and New Zealand stock exchanges and post information on our website, www.temit.co.uk.

Ordinary business

The formal business of the Meeting will begin with resolution 1 which seeks shareholders' approval to receive and adopt the Directors' and Auditor's Report and Financial Statements for the year ended 31 March 2022.

Resolution 2 seeks shareholders' approval of the Directors' Remuneration Report for the year ended 31 March 2022. Approval of the Directors' Remuneration Report is sought at each AGM and this year's report is set out in full on pages 58 and 61 of the 2022 Annual Report.

Resolution 3 seeks shareholders' approval to declare a final ordinary dividend of 2.80 pence per share, payable on 28 July 2022 to shareholders on the register as at close of business on 1 July 2022.

Resolutions 4.1 to 4.5 seek shareholders' approval to re-elect Paul Manduca, Charlie Ricketts, David Graham, Simon Jeffreys and Magdalene Miller as Directors.

The Board recommends that each director is re-elected, as set out under Board Evaluation on page 48.

Resolutions 5 and 6 seek shareholders' approval to re-appoint Ernst & Young LLP as auditor of the Company, and to authorise the Directors to determine the auditor's remuneration. Following the recommendation of the Company's Audit and Risk Committee, shareholders will be asked to approve the re-appointment of Ernst & Young LLP as the Company's auditor, to hold office until the conclusion of the Company's 2023 Annual General Meeting. Shareholders will be asked to grant authority to the Board to determine the remuneration of the auditor.

Special business

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

(i) Authority for the Allotment of New Shares

The resolutions to allot shares are set out in resolutions 7 (ordinary resolution) and 8 (special resolution) in the Notice of Annual General Meeting. These resolutions, if passed, will give your Directors power to allot for cash equity securities of the Company and/or to sell equity securities

Directors' Report (continued)

held as treasury shares up to a maximum aggregate nominal amount of £2,942,000 (being an amount equal to 5% of the issued share capital of the Company as at 31 May 2022) as if Section 561 of the Companies Act 2006 ("the 2006 Act") did not apply (this section requires, when shares are to be allotted for cash or shares held as treasury shares are sold, that such shares first be offered to existing shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights"). The authorities contained in resolutions 7 and 8 will continue until the AGM of the Company in 2023 and your Directors envisage seeking the renewal of this authority in 2023 and in each succeeding year. Such authorities will only be used when your Directors believe that it would be in the best interests of the Company to do so and only at a price which is at or above the prevailing NAV per share at the time of issue.

(ii) Authority to Purchase Own Shares

At the AGM of the Company held on 8 July 2021, a Special Resolution was passed authorising the Company to purchase its shares in the market, limited to a maximum of 14.99% of the shares in issue on 8 July 2021 equivalent to 177,066,175 shares following the sub-division of shares. The present authority expires at the conclusion of the AGM on 14 July 2022.

Under Resolution 9, the Directors are seeking renewal of the authority to purchase the Company's shares in the market, limited to a maximum of 14.99% of the Company's issued ordinary share capital, excluding treasury shares, at the date of the passing of this resolution (equivalent to 176,454,456 ordinary shares of 5 pence per share each as at 31 May 2022). This is set out in resolution 9 of the notice of the AGM.

Any shares purchased pursuant to this authority may be cancelled or held in treasury pursuant to the Companies (Acquisition of own shares) (Treasury Shares) Regulations 2003. Purchases will only be made for cash, provided that:

(a) the maximum price which may be paid is the higher of:

- 5% above the average market value of the shares for the five business days before the purchase is made;
- the higher of the last independent trade price and the highest current independent bid price on the London Stock Exchange;

(b) the minimum price payable for the shares will be the nominal value of 5 pence per share; and

(c) shares will only be purchased at a price which is at a discount to the prevailing net asset value per share at the time of purchase.

The authority to purchase shares (whether for cancellation or to be held in treasury) will only be exercised if to do so would be in the best interests of shareholders generally and would result in an increase in net asset value per share for the remaining shareholders. The purpose of holding some shares in treasury is to allow the Company to re-issue those shares quickly and cost-effectively, thus providing the Company with flexibility in the management of its capital base. Whilst in treasury, no dividends are payable on, or voting rights attach to, these shares. No shares will be purchased by the Company during periods when the Company would be prohibited from making such purchases by the rules of the FCA. As at the date of this report, there are no warrants or options outstanding to subscribe for equity shares in the Company.

The Directors envisage seeking the renewal of the relevant authority in 2023 and in each succeeding year.

Directors' Report (continued)

(iii) Notice period for general meetings

At the AGM of the Company held on 8 July 2021, a Special Resolution was passed authorising the Company to call general meetings (other than Annual General Meetings) on 14 days' clear notice, up to the conclusion of the AGM in 2022. The Directors are seeking renewal under Resolution 10 of the authority to call general meetings (other than Annual General Meetings) on 14 days' clear notice.

This resolution is required to reflect the 2006 Act which requires that all general meetings must be held with at least 21 days' notice, unless shareholders agree to a shorter notice period.

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

The approval will be effective until the Company's AGM in 2023, when it is intended that a similar resolution will be proposed. The Company will also be required to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 clear days' notice.

Recommendation

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

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

Going Concern

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. Having made suitable enquiries, including considerations of the Company's objective, the nature of the portfolio, net current assets, expenditure forecasts, the principal and emerging risks and uncertainties described within the Annual Report, and with due consideration to the ongoing COVID-19 pandemic and the Russian invasion of Ukraine, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the period to 31 March 2024, which is at least 12 months from the date of approval of the Financial Statements, and are satisfied that the going concern basis is appropriate in preparing the Financial Statements.

By order of the Board

Paul Manduca

14 June 2022

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Section 420-422 of the Companies Act 2006, with subsequent amendments. The Directors' Remuneration Policy is subject to a triennial binding shareholder vote and the Directors' Remuneration Report is subject to an annual shareholder vote, both as ordinary resolutions.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in its report on pages 69 to 76.

All Directors are non-executive, appointed under the terms of Letters of Appointment, and none has a service contract. These letters are available for inspection by shareholders at the Company's registered address or at the AGM. The Directors' Report includes, on pages 47 and 48, details of the Directors' terms of appointment.

The Company has no employees.

Details of the Nomination and Remuneration Committee can be found on pages 50 and 51 within the Directors' Report.

Directors' Remuneration Policy

This Policy provides details of the remuneration policy for the Directors of the Company. A resolution proposing the approval of the Directors' Remuneration Policy was put to the shareholders at the 2020 AGM and passed by 156,547,651 (99.88%) of shareholders voting in favour of the resolution, 192,243 (0.12%) voting against and 104,588 abstaining from voting.

The Policy as set out below will apply until 9 July 2023 (being three years from the date of shareholder approval of the policy) unless renewed, varied or revoked by shareholders at a general meeting.

The Board's policy, which has been designed to support the Company's strategy and promote long-term sustainable success, is that the remuneration of non-executive Directors should reflect the responsibilities of the Board, Directors' time spent on the Company's business, the experience of the Board as a whole, and be fair and comparable to that of other investment trusts similar in size, capital structure and objective. To this end, the Nomination and Remuneration Committee may engage independent external advisors to provide a formal review of Directors' remuneration. Any changes to fee levels are subject to an annual review.

The review process involves an analysis of fees paid to Directors of other companies having similar profiles to that of the Company. This review is submitted to the Nomination and Remuneration Committee and the Directors' fees are agreed for the next year. The Company has no Chief Executive Officer and no employees and therefore there was no consultation of employees and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

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

Directors' remuneration is not linked to the performance of the Company and Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The independent non-executive Directors are entitled to reclaim reasonable expenses incurred in order to perform their duties as non-executive Directors for the Company. Directors are not entitled to payment for loss of office and may be removed from office by the Company on three months' notice.

The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

Directors' Remuneration Report (continued)

Directors' Remuneration Implementation Report

The Directors' Remuneration Report, which includes details of the Directors' Remuneration Policy and its implementation, is subject to an annual shareholders' vote and an ordinary resolution to approve the Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. A review was carried out during the financial year to 31 March 2022 and this review recommended increases in fees as set out in the table below for the forthcoming financial year. These changes to remuneration are in line with the Directors' Remuneration Policy as set out above. The involvement of remuneration consultants has not been deemed necessary as part of this year's review.

Role	Current annual fee	Proposed annual fee
Chairman	£69,000	£71,000
Chairman of the Audit and Risk Committee	£52,000	£53,500
Senior Independent Director	£41,500	£42,500
Independent Directors	£39,000	£40,000

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

Directors' Fees for the Year

Fees paid to each Director for the financial year to 31 March 2022 are set out below. A non-binding ordinary resolution proposing adoption of the Directors' Remuneration Report was put to shareholders at the Company's AGM held on 8 July 2021 and was passed by 137,304,281 (99.88%) of shareholders voting in favour of the resolution, 164,585 (0.12%) voting against and 81,681 abstaining from voting.

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

(audited information)	2022			2021			Total remuneration change %
	Annual fee £	Taxable benefits ^(a) £	Total £	Annual fee £	Taxable benefits ^(a) £	Total £	
Paul Manduca ^(b)	69,000	119	69,119	67,000	–	67,000	3.2
Simon Jeffreys ^(c)	52,000	397	52,397	50,500	–	50,500	3.8
Beatrice Hollond ^(d)	41,500	132	41,632	38,000	–	38,000	9.6
Charlie Ricketts	39,000	752	39,752	38,000	3,320	41,320	(3.8)
David Graham	39,000	252	39,252	38,000	–	38,000	3.3
Magdalene Miller ^(e)	34,807	461	35,268	–	–	–	100
Medha Samant ^(f)	1,978	–	1,978	19,000	–	19,000	(89.6)
Total	277,285	2,113	279,398	250,500	3,320	253,820	10.1

^(a) Taxable benefits relate to the reimbursement of expenses incurred in connection with the performance of the Directors' duties and attendance at Board and Committee meetings.

^(b) Chairman of the Board.

^(c) Chairman of the Audit and Risk Committee.

^(d) Senior Independent Director.

^(e) Joined the Board on 10 May 2021.

^(f) Joined the Board on 1 October 2020 and resigned on 19 April 2021.

Directors' Remuneration Report (continued)

Performance graph^(a)

The line graph below details TEMIT's share price total return against TEMIT's benchmark, the MSCI Emerging Markets Index total return over the past 10 years.



^(a) Figures rebased to 100 at 31 March 2012.

Relative cost of Directors' fees

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

	2022 £'000	2021 £'000
Directors' Remuneration ^(a)	304	275
Distribution to shareholders:		
Dividends		
Ordinary	44,771 ^(b)	44,897
Special	-	23,647
Share buybacks	3,604	49,643

^(a) Directors' Remuneration comprises Directors' fees of £277,285 and Employer National Insurance Contributions of £26,767 for the financial year 2022 (2021: £250,500 and £24,500 respectively).

^(b) Based on a proposed final dividend of 2.80 pence per share calculated using shares in issue as at 31 May 2022 and the interim dividend of 1.00 pence per share paid 10 January 2022.

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

Five year change comparison

Over the last five years, Directors' pay has increased as set out in the table below:

Role	Current annual fee	31 March 2017 annual fee	Change
Chairman	£69,000	£60,000	+15.0%
Chairman of the Audit and Risk Committee	£52,000	£47,000	+10.6%
Senior Independent Director	£41,500	£35,000	+18.6%
Independent Directors	£39,000	£35,000	+11.4%

Directors' Remuneration Report (continued)

Statement of Directors' shareholdings

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

(audited information)	2022	2021 ^(a)
David Graham	106,452	93,400
Beatrice Hollond	31,250	31,250
Simon Jeffreys	26,960	26,960
Paul Manduca	25,000	25,000
Charlie Ricketts	25,000	25,000
Medha Samant	–	–
Magdalene Miller	–	–

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

The Company has not received any notifications of changes in the above interests as at 31 May 2022.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 14 June 2022.

Paul Manduca

14 June 2022

Report of the Audit and Risk Committee

As Chairman of the Audit and Risk Committee, I am pleased to present this report to shareholders. The report contains details of the Audit and Risk Committee's activities and responsibilities along with the evaluation of effectiveness of the external and internal audit process for the year ended 31 March 2022.

Composition

As of 31 March 2022, the Audit and Risk Committee comprised Simon Jeffreys (Chairman), David Graham, Beatrice Hollond, Charlie Ricketts and Magdalene Miller, all independent non-executive Directors.

The Board considers that the members of the Audit and Risk Committee have sufficient recent and relevant financial experience in order for it to perform its functions effectively, noting in particular that the Audit and Risk Committee Chairman is a Chartered Accountant and former senior audit partner. Mr Graham is also a Chartered Accountant. The Directors' biographies are given on pages 45 to 47.

Role and responsibilities

The Audit and Risk Committee plays an important role in the appraisal and supervision of key aspects of the Company's business. The Committee carried out the following activities to accomplish its principal objectives and reported to the Board on how it discharged its responsibilities:

- Provided advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- Monitored the integrity of the Financial Statements including the review of and agreeing the appropriateness of the Company's accounting policies, accounting estimates and judgements, alternative performance measures and compliance with the appropriate reporting requirements;
- Oversaw the relationship with the external auditor, including monitoring of any non-audit services in accordance with the policy;
- Reviewed and monitored the external auditor's effectiveness, objectivity and independence, and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Monitored, reviewed and confirmed the effectiveness of the internal financial controls and internal controls and risk management systems on which the Company is reliant;
- Reviewed the effectiveness of the internal audit function of Franklin Templeton and its reports, and was satisfied with the results;
- Reviewed the internal and external audit plans and the findings of the audits, including the Auditor's Report;
- Reviewed and confirmed that the value and quality of services provided to the Company by third parties were satisfactory;
- Reviewed in detail the contents of the Company's risk matrix; and
- Reviewed other ad hoc items referred to the Audit and Risk Committee by the Board.

Report of the Audit and Risk Committee (continued)

Activities during the year

The Committee met formally three times during the year. In addition to the items covered above, the Chairman and other members of the Committee, also:

- Reviewed and challenged the scenarios presented by Management to support the use of the going concern basis and the ongoing viability assessment. Upon review and discussion with Management the Committee concluded that the scenarios were appropriate to support the use of the going concern basis and the ongoing viability statement;
- Received regular updates on the AIFM change;
- Met with the Manager to discuss its approach to ESG matters including the implementation of the Stewardship Report;
- Held meetings with the Manager to discuss with those responsible all relevant matters relating to financial reporting, company secretarial, taxation, internal audit and risk and control framework;
- The Committee noted the positive results of the audit quality review of Ernst & Young LLP's 2021 audit by the FRC;
- Discussed the ongoing impact of COVID lockdowns and the Russian invasion of Ukraine;
- Received regular updates on the ongoing Russian invasion of Ukraine and the resulting portfolio valuation impacts;
- Challenged Management on the valuation basis for Brilliance China Automotive and Russian securities. Following meetings with the Manager's valuation and financial reporting team to discuss and challenge the valuations, the Committee concluded that the model being adopted and the valuations applied are reasonable and appropriate given the circumstances and information available; and
- Challenged Management on the appropriate recognition of recoverable taxes and concluded that the accounting treatment was appropriate.

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

Performance evaluation

The Board undertakes an annual evaluation of performance of the Audit and Risk Committee and of its individual Directors, further details of this review can be found on page 48. The Board is satisfied with the performance and effectiveness of the Audit and Risk Committee.

Annual Report and Financial Statements

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

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

Report of the Audit and Risk Committee (continued)

Portfolio valuation	The Directors receive regular portfolio reports, liquidity information and presentations from the Manager and the Investment Manager. The Committee reviews valuation reports from the Manager and is satisfied that valuations are compliant with the accounting policies commencing on page 82. In particular the Committee challenged Management on the basis of valuation, and the assumptions made, for the valuation of Russian securities and Brilliance China Automotive.
Misappropriation of assets	The Company has appointed an independent custodian (JPMorgan Chase Bank) to hold its investments. The Manager reconciles the investment portfolio to the custodian records on a regular basis and any material variances are reported to the Committee. In addition, the Committee receives from the Manager an annual review evaluating JPMorgan Chase Bank's global custody and sub-custody network including the results of the ISAE 3402 report by PricewaterhouseCoopers. The results were satisfactory.
Going concern	The Committee considered that the Company's assets consist of equity shares in companies listed on recognised stock exchanges which in most circumstances are realisable within a short timescale. Having made suitable enquiries, including consideration of the Company's objective, the nature of the portfolio, net current assets, expenditure forecasts, the principal and emerging risks and uncertainties described within the Annual Report, and with due consideration to the ongoing COVID-19 pandemic and the Russian invasion of Ukraine, the Committee is satisfied that the Company has adequate resources to continue to operate as a going concern for the period to 31 March 2024, which is at least 12 months from the date of approval of the Financial Statements. The Committee therefore concluded that it was appropriate to prepare the Financial Statements on a going concern basis, and made its recommendations to the Board. The scenarios considered included a sustained 20% increase in the value of the portfolio (which would result in an increase in running costs, particularly the AIFMD fee), a significant drop in value of the assets and a 20% decrease in dividend income, and confirmed that the Company could continue as a going concern.
Recognition of investment income	The Committee received and reviewed quarterly income forecast reports which detailed the income received and the estimated income due to be received in the financial year. These forecasts included details of material variances compared with prior forecasts. The Committee was satisfied with these analyses.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Company has been accepted as an approved investment trust by HM Revenue and Customs for accounting periods commencing on or after 1 April 2012, subject to continuing to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of The Investment Trust (Approved Company) (Tax) Regulations 2011. The Committee is satisfied that the Company complies with these conditions and intends to direct its affairs to ensure its continued approval as an investment trust.

Areas of audit focus

The Committee reviewed and agreed the audit plan including the level of audit materiality which it challenged and concluded was appropriate. The external auditor determined the scope of their work and the Committee also discussed with them key matters they wanted to be covered which included the following:

- Ownership and valuation of the portfolio given that the majority of the Company's assets are invested in its portfolio companies. The external auditor validated the ownership and valuations to its independent sources and concluded that the results of their procedures did not identify any material misstatements;

Report of the Audit and Risk Committee (continued)

- Income recognition to confirm that income has been correctly recorded and received. The external auditor recalculated all dividend income from independent sources and tested a sample to bank statements and concluded that the results of their procedures did not identify any material misstatements; and
- Although not a key audit matter as determined by the external auditor the Committee focussed on Compliance with S1158 regulations in order to ensure that the Company is meeting its minimum distribution obligations. The external auditor concluded that the Company was in compliance with S1158 regulations as at the balance sheet date.

The significant accounting judgements during the year were the valuation of the Level 3 investments, these being Brilliance China Automotive and the Russian investments. As noted above the Committee challenged Management on the basis of the valuation and were satisfied that this was appropriate. The Committee notes that there was no significant accounting judgement required in relation to the classification of special dividends received.

Further information on these key audit matters and the external auditor's observations reported to the Committee are detailed within their audit report on pages 71 to 73. The Committee reviewed and were satisfied with the conclusions presented by the external auditor for each of these matters.

Conclusion

As a result of the work undertaken, the Committee has concluded that the Financial Statements for the year ended 31 March 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 68.

External Auditor

Assessment of effectiveness and independence of the external audit process

To assess the effectiveness and independence of the external audit process, the auditor is asked, on an annual basis, to set out the steps that it has taken to ensure objectivity and independence. The auditor's performance, behaviour and effectiveness during the exercise of its duties are monitored during the year by the Audit and Risk Committee. The Audit and Risk Committee considered an annual independent Audit Quality Review report by the FRC, that monitors audit quality of the major audit firms in the UK and discussed with the external auditor the results of its own quality control review and 2021 Transparency Report. Ernst & Young LLP presented its detailed audit plan for the 2022 financial year end at the November 2021 Audit and Risk Committee meeting. The Audit and Risk Committee also reviewed Ernst & Young LLP's policies and procedures including quality assurance procedures and independence and concluded that they were satisfactory.

The outcome of these reviews and discussions with the Senior Statutory Auditor were that the Committee is satisfied that Ernst & Young LLP has a suitable culture, control environment and risk framework to enable it to deliver a high-quality audit.

In addition, the Committee held meetings with the external auditor in private and worked closely with the Manager during the audit process. Taking into consideration all of the above and its review and discussions with the key parties the Committee concluded that the external auditor had delivered a quality audit for the financial year ended 31 March 2022.

Report of the Audit and Risk Committee (continued)

Auditor rotation

The regulations on mandatory auditor rotation require an audit tender to take place every ten years. An audit tender took place during 2019 and shareholders approved the appointment of Ernst & Young LLP as the Company's external auditor at the Annual General Meeting held on 11 July 2019. The year ended 31 March 2022 was the third year for which Sue Dawe (Senior Statutory Auditor) has served, she is able to complete two more audits before a successor Senior Statutory Auditor must be appointed under current standards.

Non-audit services

Performance of any non-audit services by the external auditor must be approved in advance by the Committee and must comply with the guidelines set out in the FRC's Revised Ethical Standard 2019. The Committee concluded that the non-audit service fees were appropriate relative to fees paid for audit services. An engagement letter is issued for all non-audit work and is reviewed by the Committee to ensure that the independence and objectivity of the auditor is safeguarded.

During the year, Ernst & Young LLP was engaged to perform a review of the Half Yearly Report. This is assurance related and the Committee believes that Ernst & Young LLP is best placed to provide this service for the shareholders.

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

	2022	2021
Audit Services	£34,000	£36,000
Non-Audit Services:		
Review of Half Yearly Report	£8,000	£7,000
Percentage of Audit Services	23.5%	19.4%

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

Internal control

Internal audit is carried out by the internal audit department of Franklin Templeton.

The Committee monitors the risk management and system of internal controls on an ongoing basis and engages Franklin Templeton's internal audit function to carry out a review of specific areas that the Audit and Risk Committee considers appropriate.

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

The Committee reviewed the Company's risk matrix that explains in detail the key risks identified by the Company, assessing the likelihood of each risk materialising and the impact that this would have on the Company. The Committee continued to pay particular attention to the Manager's operating arrangement and controls during the COVID-19 pandemic. This focused on both investment and operational issues. The Committee also confirmed the effectiveness of the key operational procedures and oversight by the Manager and the Board.

Report of the Audit and Risk Committee (continued)

Other areas

TEMIT is able to rely on the Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2021, that exempts it from requirements to prepare audited financial statements in accordance with the New Zealand Financial Market Conduct Act 2013. This exemption recognises that companies with a primary listing in the United Kingdom prepare Financial Statements and are audited in accordance with UK requirements. This exempts TEMIT from the New Zealand requirement that firms be audited by a New Zealand unlimited liability entity.

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

Simon Jeffreys
Audit and Risk Committee Chairman
14 June 2022

Statement of Directors' Responsibilities

In respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Details of the Directors and members of the committees are reported on pages 45 to 51.

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 UK adopted International Accounting Standards.

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

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

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

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

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

Responsibility Statement

Each of the Directors, who are listed on pages 45 to 47, confirms that to the best of their knowledge:

- The Financial Statements, which have been prepared in accordance with UK adopted International Accounting Standards, give a fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the Company for the year ended 31 March 2022; and
- The Chairman's Statement, Strategic Report and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure Guidance and Transparency Rules; and
- The Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy, and include a description of principal risks and uncertainties.

By order of the Board

Paul Manduca

14 June 2022

Independent Auditor's Report

to the members of Templeton Emerging Markets Investment Trust Plc

Opinion

We have audited the financial statements of Templeton Emerging Markets Investment Trust PLC (the "Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2024 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, we inspected the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and reviewed the Directors' reverse stress testing in order to identify and challenge the factors which would lead to the Company breaching the financial covenants.
- We considered the mitigating factors included in the revenue forecasts and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period assessed by the Directors, being the period to 31 March 2024 which is at least 12 months from when the financial statements are authorised for issue.

Independent Auditor's Report (continued)

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. • Risk of incorrect valuation or ownership of the investment portfolio.
Materiality	• Overall materiality of £21.00m (2021: £25.91m) which represents 1% (2021: 1%) of shareholders' funds.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments, and potentially shareholder returns. This is explained in the principal and emerging risks section on page 42, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by UK adopted International Accounting Standards. In line with UK adopted International Accounting Standards, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change on risk on the investments held by the Company. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Independent Auditor's Report (continued)

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income (as described on page 64 in the Report of the Audit and Risk Committee and as per the accounting policy set out on page 83). The total revenue for the year to 31 March 2022 was £54.27m (2021: £59.93m), consisting primarily of dividend income from listed investments. The total amount of special dividends received and accrued by the Company was £3.85m (2021: £7.51m), all of which were classified as revenue (2021: £0.02m were classified as capital and £7.49m were classified as revenue). There is a risk of incomplete or inaccurate revenue recognition through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the directors may be required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	We have performed the following procedures: We obtained an understanding of Franklin Templeton Investment Trust Management Limited (the 'Manager') and JP Morgan Europe Limited's (the 'Administrator') processes surrounding revenue recognition and classification of special dividends by performing walkthrough procedures. For all dividends received and accrued we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements. For all accrued dividends, we assessed whether the dividend obligations arose prior to 31 March 2022 with reference to an external source. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to an external source. For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special dividends. We tested two special dividends which were above our testing threshold, amounting to £2.21m in total, by recalculating the amounts received and assessing the appropriateness of classification as revenue or capital by reviewing the underlying circumstances of the special dividends received.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.

Independent Auditor's Report (continued)

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incorrect valuation or ownership of the investment portfolio (as described on page 64 in the Report of the Audit and Risk Committee and as per the accounting policy set out on pages 84 and 85). The valuation of the portfolio at 31 March 2022 was £2,124.53m (2021: £2,599.08m) consisting of level 1 investments amounting to £2,103.73m (2021: £2,548.12m) and level 3 investments amounting to £20.80m. The level 3 investment pertaining to Brilliance China Automotive was classified as a level 2 investment in the prior year (2021: £50.95m). As at 31 March 2022, the Company also holds five Russian securities which have been valued at nil and classified as level 3. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	We performed the following procedures: We obtained an understanding of the Administrator's process surrounding the existence and pricing of securities by performing walkthrough procedures. For all level 1 investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. We inspected the security price movement reports produced by the Administrator to identify prices that have not changed within five days from year end and verified whether the listed price is a valid fair value through review of trading activity. Our testing identified no prices which had not changed within five days of the year end. We compared the Company's investment holdings at 31 March 2022 to independent confirmations received directly from the Company's Depositary and Custodian. For each of the level 3 investments, we performed the following procedures with the assistance of our team of valuation specialists: • We assessed the reasonableness and appropriateness of the valuation method used by the Manager with reference to the Company's accounting policies, UK adopted International Accounting Standards and the International Private Equity and Venture Capital Valuation (IPEV) Guidelines; • We assessed the assumptions used to estimate fair value and confirmed that they are reasonable, complete and appropriately supported; and • We performed comparative work to assess whether the valuation conclusions are reasonable. For all of the investments held, we considered the appropriateness of the Manager's conclusions with respect to the fair value hierarchy and the classifications between level 1, level 2 and level 3.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.

Independent Auditor's Report (continued)

Our key audit matters remain unchanged from the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £21.00m (2021: £25.91m), which is 1% (2021: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £15.75m (2021: £19.43m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £2.24m (2021: £2.55m) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.05m (2021: £1.30m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

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

Independent Auditor's Report (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 43 and 44;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 57;
- Directors' statement on fair, balanced and understandable set out on page 68;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 41 to 43;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 66; and
- The section describing the work of the audit committee set out on pages 62 and 63.

Independent Auditor's Report (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted International Accounting Standards, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Statement of Recommended Practice for the Financial Statements of Investment Trust Companies as issued by the Association of Investment Companies, Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, review of the board and committee minutes and review of papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company on 11 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 March 2020 to 31 March 2022.

- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independent Auditor's Report (continued)

Use of our report

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.

Sue Dawe (Senior Statutory Auditor)

For and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh
14 June 2022

Financial Statements

Statement of Comprehensive Income

For the Year Ended 31 March 2022

	Note	Year ended 31 March 2022			Year ended 31 March 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments and foreign exchange	8						
Net (losses)/gains on investments at fair value		–	(460,585)	(460,585)	–	888,402	888,402
Net losses on foreign exchange		–	(168)	(168)	–	(594)	(594)
Income							
Dividends	2	54,020	–	54,020	56,964	–	56,964
Other income	2	250	–	250	2,965	–	2,965
		54,270	(460,753)	(406,483)	59,929	887,808	947,737
Expenses							
AIFM fee	3	(6,316)	(14,738)	(21,054)	(6,142)	(14,331)	(20,473)
Other expenses	4	(2,338)	–	(2,338)	(2,094)	–	(2,094)
		(8,654)	(14,738)	(23,392)	(8,236)	(14,331)	(22,567)
Profit/(loss) before finance costs and taxation		45,616	(475,491)	(429,875)	51,693	873,477	925,170
Finance costs	5	(858)	(1,998)	(2,856)	(773)	(1,802)	(2,575)
Profit/(loss) before taxation		44,758	(477,489)	(432,731)	50,920	871,675	922,595
Tax (expense)/income	6	(4,081)	(5,596)	(9,677)	17,303	(5,469)	11,834
Profit/(loss) for the year		40,677	(483,085)	(442,408)	68,223	866,206	934,429
Profit/(loss) attributable to equity holders of the Company		40,677	(483,085)	(442,408)	68,223	866,206	934,429
Earnings per share^(a)	7	3.44p	(40.90)p	(37.46)p	5.73p	72.73p	78.46p

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

Under the Company's Articles of Association the capital element of return is not distributable.

The total column of this statement represents the profit and loss account of the Company.

The accompanying notes on pages 82 to 99 are an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2022

	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Non-current assets			
Investments at fair value through profit or loss	8	2,124,530	2,599,075
Current assets			
Trade and other receivables	9	16,928	15,323
Cash and cash equivalents		125,855	85,212
Total current assets		142,783	100,535
Current liabilities			
Other payables	10	(57,718)	(3,362)
Total current liabilities		(57,718)	(3,362)
Net current assets		85,065	97,173
Non-current liabilities			
Capital gains tax provision	6	(9,205)	(4,961)
Other payables falling due after more than one year	11	(100,000)	(100,000)
Total assets less liabilities		2,100,390	2,591,287
Share capital and reserves			
Equity Share Capital	12	64,136	64,253
Capital Redemption Reserve		18,533	18,416
Capital Reserve		1,466,197	1,952,886
Special Distributable Reserve		433,546	433,546
Revenue Reserve		117,978	122,186
Equity Shareholders' Funds		2,100,390	2,591,287
Net Asset Value pence per share ^{(a)(b)}		178.2	219.4

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

^(b) Based on shares in issue excluding shares held in treasury.

The Financial Statements of Templeton Emerging Markets Investment Trust PLC (company registration number SC118022) on pages 77 to 99 were approved for issue by the Board and signed on 14 June 2022.

Paul Manduca
Chairman

Simon Jeffreys
Director

Statement of Changes in Equity

For the Year Ended 31 March 2022

	Note	Equity Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Special Distributable Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 31 March 2020		65,812	16,857	1,136,322	433,546	123,113	1,775,650
Profit for the year		–	–	866,206	–	68,223	934,429
Equity dividends	13	–	–	–	–	(69,150)	(69,150)
Purchase and cancellation of own shares	12	(1,559)	1,559	(49,642)	–	–	(49,642)
Balance at 31 March 2021		64,253	18,416	1,952,886	433,546	122,186	2,591,287
(Loss)/profit for the year		–	–	(483,085)	–	40,677	(442,408)
Equity dividends	13	–	–	–	–	(44,885)	(44,885)
Purchase and cancellation of own shares	12	(117)	117	(3,604)	–	–	(3,604)
Balance at 31 March 2022		64,136	18,533	1,466,197	433,546	117,978	2,100,390

The accompanying notes on pages 82 to 99 are an integral part of the Financial Statements.

Statement of Cash Flows

For the Year Ended 31 March 2022

	Note	For the year to 31 March 2022 £'000	For the year to 31 March 2021 £'000
Cash flows from operating activities			
(Loss)/profit before taxation ^(a)		(432,731)	922,595
Adjustment for:			
Bank and deposit interest		(130)	(26)
Dividend income		(54,020)	(56,964)
Finance costs ^(a)		2,856	2,575
Net losses/(gains) on investments at fair value	8	460,585	(888,402)
Net losses on foreign exchange		168	594
Stock dividends received in year		–	(674)
Decrease/(increase) in debtors ^(a)		16	(104)
(Decrease)/increase in creditors ^(a)		(614)	981
Cash generated from operations^(a)		(23,870)	(19,425)
Bank and deposit interest received		130	26
Dividends received		57,522	52,442
Bank overdraft interest paid		(2)	–
Tax paid ^(a)		(6,250)	(5,303)
Corporation tax recovered		–	23,753
Net cash inflow from operating activities		27,530	51,493
Cash flows from investing activities			
Purchases of non-current financial assets		(600,482)	(415,127)
Sales of non-current financial assets		613,249	483,182
Net cash inflow from investing activities		12,767	68,055
Cash flows from financing activities			
Equity dividends paid	13	(44,885)	(69,150)
Purchase and cancellation of own shares		(2,041)	(50,455)
Draw down from revolving credit facility		50,000	–
Bank loans' interest and fees paid		(2,728)	(2,561)
Net cash inflow/(outflow) from financing activities		346	(122,166)
Net increase/(decrease) in cash		40,643	(2,618)
Cash at the start of the year		85,212	87,830
Cash at the end of the year		125,855	85,212

^(a) The Company has used the (Loss)/profit before tax as a starting point in the Statement of Cash Flows for the year ended 31 March 2022. Comparative figures for the year have been updated to adjust the presentation in line with IAS 8.

The accompanying notes on pages 82 to 99 are an integral part of the Financial Statements.

Statement of Cash Flows (continued)

Reconciliation of liabilities arising from bank loans

	Liabilities as at 31 March 2021 £'000	Cash flows £'000	Profit & Loss £'000	Liabilities as at 31 March 2022 £'000
Revolving credit facility	–	50,000	–	50,000
Interest and fees payable	120	(628)	757	249
Fixed term loan	100,000	–	–	100,000
Interest and fees payable	355	(2,100)	2,097	352
Total liabilities from bank loans	100,475	47,272	2,854	150,601

	Liabilities as at 31 March 2020 £'000	Cash flows £'000	Profit & Loss £'000	Liabilities as at 31 March 2021 £'000
Revolving credit facility	–	–	–	–
Interest and fees payable	111	(474)	483	120
Fixed term loan	100,000	–	–	100,000
Interest and fees payable	350	(2,087)	2,092	355
Total liabilities from bank loans	100,461	(2,561)	2,575	100,475

Notes to the Financial Statements

As at 31 March 2022

1 Accounting Policies

(a) Basis of preparation

The Financial Statements of the Company have been prepared in accordance with UK adopted International Accounting Standards. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies in April 2021 insofar as the SORP is compatible with International Accounting Standards.

The Financial Statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments. All financial assets and financial liabilities are recognised (or derecognised) on the date of the transaction by the use of "trade date accounting". The principal accounting policies adopted are set out below.

Adoption of new and revised Accounting Standards

At the date of authorisation of these Financial Statements, the following standards and interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2021:

- IAS 39, IFRS 7 and IFRS 9 Amendments: Interest Rate Benchmark Reform

The amendments listed above did not have any impact on the amounts recognised in the current reporting period.

Going concern

The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the period to 31 March 2024, which is at least 12 months from the date of the approval of the Financial Statements. The Directors reviewed income forecasts covering the next two financial years, including interest and fees arising from the debt facility. The Directors considered the principal and emerging risks and uncertainties disclosed on pages 41 to 43 in particular those relating to COVID-19.

At 31 March 2022, the Company had net current assets of £85,065,000 (31 March 2021: net current assets of £97,173,000). In addition the Company holds a portfolio of largely liquid assets that, if required, can be sold to maintain adequate cash balances to meet its expected cash flows, including debt servicing. The repayment of the principal balance of the Company's £100 million fixed term loan does not fall due until 2025. The repayment of the £50 million revolving loan was due on 19 April 2022 and, subsequent to the year end, the Investment Manager rolled it forward for a further six months. Given the liquidity profile of the Company's assets and the current cash levels it is expected that the Company will be able to meet the repayment requirement. The Directors also reviewed scenarios of a significant drop in value of the assets and noted that in those scenarios they would still be significantly higher than the Company's liabilities. They have also confirmed the resiliency of the Company's key service providers and are satisfied that their contingency plans and working arrangements are sustainable.

The Board has established a framework of prudent and effective controls performed periodically by the Audit and Risk Committee, which enable risks to be assessed and managed. Therefore, the going concern basis has been adopted in preparing the Company's Financial Statements. The Going Concern statement is set out on page 57.

Notes to the Financial Statements (continued)

Functional currency

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

Estimates and assumptions

During the year, estimates and assumptions have been used to fair value the Level 3 investments held by the Company. Further details are given in the fair value section of Note 15 and in the Report of the Audit and Risk Committee. There have been no other significant judgements, estimates or assumptions for the year.

In preparing these Financial Statements, the Directors have considered the impact of climate change as a principal risk as set out on page 42, and have concluded that there was no further impact of climate change to be considered as the investments are valued based on market pricing. In line with UK adopted International Accounting Standards the investments are valued at fair value, which for the Company are the bid prices quoted on the relevant stock exchange at the date of the Statement of Financial Position and therefore reflect market participants' views of climate change risk on the investments held.

(b) Presentation of Statement of Comprehensive Income

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

(c) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends are recognised on their due date. Provision is made for any dividends not expected to be received.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised in the revenue column of the Statement of Comprehensive Income. Any excess in the value of the shares received over the amount of the cash dividend forgone is recognised in the capital column of the Statement of Comprehensive Income.

Special dividends receivable are treated as repayment of capital or as income depending on the facts of each particular case. Interest on bank deposits is recognised on an accrual basis.

Stock lending income is shown gross of associated costs and recognised in revenue as earned.

(d) Expenses

All expenses are accounted for on an accrual basis and are charged through the revenue and capital sections of the Statement of Comprehensive Income according to the Directors' expectation of future returns except as follows:

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

Notes to the Financial Statements (continued)

(e) Finance costs

Finance costs relating to bank loans are accounted for on an accrual basis using the effective interest method in the Statement of Comprehensive Income according to the Directors' expectations of future returns. Finance costs relate to interest and fees on bank loans and overdrafts. 70% of the finance costs, except for interest and fees on overdrafts, have been allocated to the capital account.

(f) Taxation

The tax expense represents the sum of current and deferred tax. Tax receivables will be recognised when it is probable that the benefit will flow to the entity and the benefit can be reliably measured. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the year-end date, where transactions or events that result in an obligation to pay more tax in the future or rights to pay less tax in the future have occurred at the year-end date. This is subject to deferred tax assets only being recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

Due to the Company's status as an investment trust company, and its intention to continue to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of The Investment Trust (Approved Company) (Tax) Regulations 2011, the Company has not provided deferred tax in respect of UK corporation tax on any capital gains and losses arising on the revaluation or disposal of investments. Where appropriate, the Company provides for deferred tax in respect of overseas taxes on any capital gains arising on the revaluation of investments.

The carrying amount of deferred tax assets is reviewed at each year-end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(g) Investments held at fair value through profit or loss

The Company classifies its equity investments based on their contractual cash flow characteristics and the Company's business model for managing the assets. The Company's business is investing in financial assets with a view to profiting from their total return in the form of revenue and capital growth. This portfolio of financial assets is managed, and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Directors and other key management personnel. Equity investments fail the contractual cash flows test so are measured at fair value. Accordingly, upon initial recognition, all of the Company's non-current asset investments are held at "fair value through profit or loss". They are included initially at fair value, which is taken to be their cost excluding expenses incidental to the acquisition.

Notes to the Financial Statements (continued)

Subsequently, the investments are valued at “fair value”, which is measured as follows:

The fair value of financial instruments at the year-end date is, ordinarily, based on the latest quoted bid price at, or before, the US market close (without deduction for any of the estimated future selling costs), if the instrument is held in active markets. This represents a Level 1 classification under IFRS 13. For all financial instruments not traded in an active market or where market price is not deemed representative of fair value, valuation techniques are employed to determine fair value. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis making use of available and supportable market data as possible).

Gains and losses arising from changes in fair value are included in the net profit or loss for the period as a capital item in the Statement of Comprehensive Income.

(h) Foreign currencies

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

(i) Financial instruments

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

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

(j) Share capital and reserves

Equity Share Capital – represents the nominal value of the issued share capital. This reserve is undistributable.

Capital Redemption Reserve – represents the nominal value of shares repurchased and cancelled. This reserve is undistributable.

Capital Reserve – gains and losses on realisation of investments; changes in fair value of investments which are readily convertible to cash, without accepting adverse terms; realised exchange differences of a capital nature; changes in the fair value of investments that are not readily convertible to cash, without accepting adverse terms; and the amounts by which other assets and liabilities valued at fair value differ from their book value are within this reserve. Additionally, 70% of the annual AIFM fee and finance costs are charged to this reserve in accordance with accounting policies 1(d) and 1(e).

Notes to the Financial Statements (continued)

Purchases of the Company's own shares are funded from the realised component of the Capital Reserve. The Company's Articles of Association preclude it from making any distribution of capital profits.

If treasury shares are subsequently cancelled, the nominal value is transferred out of Equity Share Capital and into the Capital Redemption Reserve.

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

Revenue Reserve – represents net income earned that has not been distributed to shareholders. This reserve is fully distributable.

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

Notes to the Financial Statements (continued)

2 Income

	2022 £'000	2021 £'000
Dividends		
Non-EU dividends	52,144	54,530
UK dividends	1,306	1,532
EU dividends	570	228
Stock dividends	–	674
	54,020	56,964
Other income		
Bank and deposit interest	130	26
Stock lending income	120	161
Interest relating to historic tax reclaims ^(a)	–	2,778
	250	2,965
Total	54,270	59,929

^(a) Historic HMRC claim for exemption of pre 2009 dividend income from Corporation Tax based on the Prudential & CFC FII GLO cases.

3 AIFM fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
AIFM fee	6,316	14,738	21,054	6,142	14,331	20,473

On 1 October 2021, FTITML replaced FTIS as the Company's AIFM and company secretary. The contract with FTITML may be terminated at any date by either party giving one year's notice of termination.

The AIFM fee is paid monthly and based on the month end total net assets of the Company. The AIFM fee for the year was 1% of net assets up to £1 billion and 0.80% of net assets above £1 billion.

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

4 Other expenses

	2022 £'000	2021 £'000
Custody fees	775	706
Marketing fees	362	334
Directors' remuneration	304	275
Depository fees	207	192
Membership fees	176	156
Registrar fees	132	76
Legal fees	51	34
Auditor's remuneration		
Audit of the annual financial statements	34	36
Review of the Half Yearly Report	8	7
Broker fees	33	32
Printing and postage fees	21	16
Other expenses	235	230
Total	2,338	2,094

Notes to the Financial Statements (continued)

5 Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Fixed term loan	629	1,468	2,097	628	1,464	2,092
Revolving credit facility	227	530	757	145	338	483
Bank overdraft interest	2	–	2	–	–	–
Total	858	1,998	2,856	773	1,802	2,575

6 Tax on ordinary activities

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	4,081	–	4,081	6,450	–	6,450
Capital gains tax paid	–	1,352	1,352	–	508	508
Historic tax claims ^(a)	–	–	–	(23,753)	–	(23,753)
Total current tax	4,081	1,352	5,433	(17,303)	508	(16,795)
Capital gains tax provision	–	4,244	4,244	–	4,961	4,961
Total tax	4,081	5,596	9,677	(17,303)	5,469	(11,834)

	2022 £'000	2021 £'000
(Loss)/profit before taxation	(432,731)	922,595
Theoretical tax at UK corporation tax rate of 19% (2021: 19%)	(82,219)	175,293
Effects of:		
- Capital element of loss/(profit)	87,543	(168,684)
- Irrecoverable overseas withholding tax	4,081	6,450
- Excess management expenses	3,101	2,915
- Overseas capital gains tax	1,352	508
- Dividends not subject to corporation tax	(7,924)	(9,079)
- Movement in overseas capital gains tax liability	4,244	4,961
- UK dividends	(248)	(291)
- Overseas tax expensed	(253)	(154)
- Historic tax claims ^(a)	–	(23,753)
Actual tax charge	9,677	(11,834)

^(a) Historic HMRC claim for exemption of pre 2009 dividend income from Corporation Tax based on the Prudential & CFC FII GLO cases was received in May 2020.

As at 31 March 2022 the Company had unutilised management expenses and non-trade deficits of £284.4 million carried forward (2021: £268.1 million). These balances have been generated because a large part of the Company's income is derived from dividends which are not taxed. Based on current UK tax law, the Company is not expected to generate taxable income in a future period in excess of deductible expenses for that period and, accordingly, is unlikely to be able to reduce future tax liabilities by offsetting these excess management expenses. These excess management expenses are therefore not recognised as a deferred tax asset.

Notes to the Financial Statements (continued)

Movement in provision for capital gains tax

	2022 £'000	2021 £'000
Balance brought forward	4,961	–
Charge for the year	5,596	5,469
Capital gains tax paid	(1,352)	(508)
Balance carried forward	9,205	4,961
Provision consists of:		
- Overseas capital gains tax liability ^(a)	9,205	4,961
	9,205	4,961

^(a) A provision for deferred capital gains tax has been recognised in relation to unrealised gains for holdings in India and Pakistan.

7 Earnings per share

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Earnings	40,677	(483,085)	(442,408)	68,223	866,206	934,429

	2022			2021		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Earnings per share ^(a)	3.44	(40.90)	(37.46)	5.73	72.73	78.46

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

The earnings per share is based on the profit attributable to equity holders and on the weighted average number of shares in issue during the year of 1,181,093,110 (year to 31 March 2021 after the sub-division of shares: 1,190,975,420).

8 Financial assets - investments

	2022 £'000	2021 £'000
Opening investments		
Book cost	1,553,330	1,539,265
Net unrealised gains	1,045,745	240,988
Opening fair value	2,599,075	1,780,253
Movements in the year:		
Additions at cost	603,763	415,812
Disposals proceeds	(617,723)	(485,392)
Net (losses)/gains on investments at fair value	(460,585)	888,402
	2,124,530	2,599,075
Closing investments		
Book cost	1,732,693	1,553,330
Net unrealised gains	391,837	1,045,745
Closing investments	2,124,530	2,599,075

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

Notes to the Financial Statements (continued)

Transaction costs for the year on purchases were £749,000 (2021: £612,000) and transaction costs for the year on sales were £1,209,000 (2021: £875,000). The aggregate transaction costs for the year were £1,958,000 (2021: £1,487,000). Please note the comparative figures for the year ended 31 March 2021 have been retrospectively adjusted to incorporate some additional expenses identified as transaction costs.

	2022 £'000	2021 £'000
Net (losses)/gains on investments at fair value comprise:		
Net realised gains based on carrying value at 31 March	193,323	83,645
Net movement in unrealised (depreciation)/appreciation	(653,908)	804,757
Net (losses)/gains on investments at fair value	(460,585)	888,402

9 Trade and other receivables

	2022 £'000	2021 £'000
Dividends receivable	8,224	11,726
Sales awaiting settlement	5,955	1,649
Overseas tax recoverable	2,661	1,844
Other debtors	88	104
Total	16,928	15,323

10 Other payables

	2022 £'000	2021 £'000
Revolving credit facility payable	50,000	–
Purchase of investments for future settlement	3,292	11
Amounts owed for share buybacks	1,563	–
AIFM fee	1,515	1,816
Accrued expenses	747	1,060
Interest and fees on borrowings	601	475
Total	57,718	3,362

Interest and fees on borrowings consist of:

	2022 £'000	2021 £'000
Fixed term loan	352	355
Revolving credit facility	249	120
Total	601	475

Revolving credit facility

On 31 January 2020, the Company entered into a £120 million multi-currency unsecured revolving credit facility (the “facility”) for a period of three years with The Bank of Nova Scotia, London Branch. Balances can be drawn down in GBP, USD or CNH. The agreement was revised on 17 September 2021 to account for the London Interbank Offered Rate (“LIBOR”) discontinuation. Under the new terms, the USD drawdown rates are 1.125% per annum over the daily secured overnight financing rate (“SOFR”) administered by the Federal Reserve Bank of New York plus the applicable baseline credit adjustment spread, while for any sterling drawdowns the rate is 1.125% per annum over the daily sterling overnight index average (“SONIA”) published by the Bank of England plus the applicable credit adjustment spread. The rate for any CNH drawdowns remains unchanged at a rate of 1.125% per annum over the Hong Kong Interbank Offered Rate.

Notes to the Financial Statements (continued)

Undrawn balances in excess of £60 million are charged at 0.40% per annum and any undrawn portion below this is charged at 0.35% per annum. Under the terms of the facility, the net assets shall not be less than £1,015 million and the adjusted net asset coverage to all borrowings shall not be less than 3.5:1.

On 18 October 2021, the Company drew down £50 million from the revolving credit facility repayable within six months (2021: revolving credit facility was not utilised).

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

11 Other payables falling due after more than one year

	2022 Book value £'000	2021 Book value £'000
Fixed term loan	100,000	100,000
Total	100,000	100,000

Fixed term loan

On 31 January 2020, the Company entered into a term loan (the "term loan") for a period of five years with Scotiabank Europe PLC for £100 million.

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

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

12 Equity share capital

	2022		2021	
Ordinary shares in issue	£'000	Number ^(a)	£'000	Number ^(a)
Opening ordinary shares of 5 pence	59,062	1,181,228,655	60,621	1,212,420,695
Purchase and cancellation of own shares	(117)	(2,331,670)	(1,559)	(31,192,040)
Closing ordinary shares of 5 pence	58,945	1,178,896,985	59,062	1,181,228,655

	2022		2021	
Ordinary shares held in treasury	£'000	Number ^(a)	£'000	Number ^(a)
Opening ordinary shares of 5 pence	5,191	103,825,895	5,191	103,825,895
Closing ordinary shares of 5 pence	5,191	103,825,895	5,191	103,825,895
Total ordinary shares in issue and held in treasury at the end of the year	64,136	1,282,722,880	64,253	1,285,054,550

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

Notes to the Financial Statements (continued)

The Company's shares (except those held in treasury) have unrestricted voting rights at all general meetings, are entitled to all of the profits available for distribution by way of dividend and are entitled to repayment of all of the Company's capital on winding up.

During the year, 2,331,670 shares were bought back for cancellation at a cost of £3,604,000 (2021: 31,192,040 shares were bought back for cancellation at a cost of £49,642,000). All shares bought back in the year were cancelled, with none being placed in treasury (2021: no shares were placed into treasury).

13 Dividends

	2022		2021	
	Rate ^(a) (pence)	£'000	Rate ^(a) (pence)	£'000
Declared and paid in the financial year				
Dividend on shares:				
Final dividends for the years ended 31 March 2021 and 31 March 2020	2.80	33,074	2.80	33,680
Interim dividends for the six-month periods ended 30 September 2021 and 30 September 2020	1.00	11,811	1.00	11,823
Special dividends for the year ended 31 March 2021	–	–	2.00	23,647
Total	3.80	44,885	5.80	69,150
Proposed for approval at the Company's AGM				
Dividend on shares:				
Final dividend for the year ended 31 March 2022	2.80	32,960		

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

Dividends are recognised when the shareholders' right to receive the payment is established. In the case of the final dividend, this means that it is not recognised until approval is received from shareholders at the AGM. The proposed final dividend of 2.80 pence per share will be funded from the revenue reserve and the payment of this dividend will not threaten the going concern or viability of the Company.

14 Related party transactions

There were no transactions with related parties, other than the fees paid to the Directors and the AIFM fee during the year ended 31 March 2022, which have a material effect on the results or the financial position of the Company. Details of fees paid to the Directors are included on page 59 and details of the fee paid to the AIFM is included on page 87.

15 Risk management

In pursuing the Company's objective, as set out on page 31 of this Annual Report, the Company holds a number of financial instruments which are exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for dividends.

Notes to the Financial Statements (continued)

The main risks arising from the Company's financial instruments are investment and concentration risk, market risk (which comprises market price risk, foreign currency risk and interest rate risk), liquidity risk and counterparty and credit risk.

The objectives, policies and processes for managing these risks, and the methods used to measure the risks, are set out below. These policies have remained unchanged since the beginning of the year to which these Financial Statements relate.

Investment and concentration risk

The Company may invest a greater portion of its assets than the benchmark in the securities of one issuer, securities of a particular country, or securities within one sector. As a result, there is the potential for an increased concentration of exposure to economic, business, political or other changes affecting similar issues or securities, which may result in greater fluctuation in the value of the portfolio. Investment risk and a certain degree of concentration risk is a known and necessary effect of the stated investment approach in line with the investment policy. The Directors regularly review the portfolio composition and asset allocation and discuss related developments with the Investment Manager. Security, country, and sector concentrations are monitored by the Manager's risk and compliance teams on a regular basis and any concerns are highlighted to the Investment Manager for remedial action and brought to the attention of the Directors.

Market price risk

Market risk arises mainly from uncertainties about future prices of financial instruments held. It represents the potential loss that the Company might suffer through holding market positions in the face of price movements.

The Directors meet quarterly to consider the asset allocation of the portfolio and to discuss the risks associated with particular securities, countries or sectors. The Investment Manager selects securities in the portfolio in accordance with the investment policy, and the overall asset allocation parameters described above, and seeks to ensure that individual stocks also meet the intended risk/reward profile.

The Company does not use derivative instruments to hedge the investment portfolio against market price risk as, in the Investment Manager's opinion, such a process could result in an unacceptable level of cost and/or a reduction in the potential for capital growth.

100% (2021: 100%) of the Company's investment portfolio is listed on stock exchanges. If share prices as at 31 March 2022 had decreased by 30% (2021: 30% decrease) with all other variables remaining constant, the Statement of Comprehensive Income capital return and the net assets attributable to equity shareholders would decrease by £637,359,000 (2021: £779,723,000). A 30% increase (2021: 30% increase) in share prices would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

Foreign currency risk

Currency translation movements can significantly affect the income and capital value of the Company's investments, as the majority of the Company's assets and income are denominated in currencies other than sterling, which is the Company's functional currency.

Notes to the Financial Statements (continued)

The Investment Manager has identified three principal areas where foreign currency risk could affect the Company:

- Movements in rates affect the value of investments;
- Movements in rates affect short-term timing differences; and
- Movements in rates affect the income received.

The Company does not hedge the sterling value of investments that are priced in other currencies. The Company may be subject to short-term exposure to exchange rate movements, for instance where there is a difference between the date on which an investment purchase or sale is entered into and the date on which it is settled.

The Company receives income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Company converts all receipts of income into sterling on or near the date of receipt. However, it does not hedge or otherwise seek to avoid rate movement risk on income accrued but not received.

The fair value of the Company's items that have foreign currency exposure at 31 March are shown below:

2022

Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank, loans, and other payables £'000	Total net foreign currency exposure £'000	Investment at fair value through profit or loss £'000
Korean won	6,523	–	–	6,523	486,879
Hong Kong dollar	19	–	(219)	(200)	376,797
Taiwan dollar	3,791	2,069	(2,069)	3,791	363,488
US dollar	53	–	(1,000)	(947)	252,082
Indian rupee	–	323	–	323	188,326
Other	6,473	116	(23)	6,566	427,793

2021

Currency	Trade and other receivables £'000	Cash at bank £'000	Trade, bank, loans, and other payables £'000	Total net foreign currency exposure £'000	Investment at fair value through profit or loss ^(a) £'000
Hong Kong dollar	430	–	(430)	–	626,193
Korean won	9,304	–	–	9,304	574,910
Taiwan dollar	4,001	3,213	–	7,214	429,925
US dollar	578	–	(5)	573	357,514
Indian rupee	27	–	–	27	162,049
Other	1,089	–	–	1,089	394,142

^(a) Comparative figures for the year ended 31 March 2021 on US dollar and Other have been restated due to a prior year misallocation.

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

As at 31 March 2022, 65.4% (2021: 69.5%) of the investments shown as US dollar and Hong Kong dollar are Chinese companies with exposure to the Chinese yuan. The total exposure to Chinese yuan was £604.9 million (2021: £769.7 million).

Notes to the Financial Statements (continued)

Foreign currency sensitivity

The following table illustrates the foreign currency sensitivity of the total income (which is mainly comprised of dividend income) and of the financial assets and liabilities of the Company if sterling had strengthened by 10% relative to the top 5 currencies on the reporting date. With all other variables held constant, the revenue and capital return would have decreased by the below amounts.

	2022		2021	
	Revenue Return £'000	Capital Return £'000	Revenue Return £'000	Capital Return ^(a) £'000
Korean won	1,083	48,688	1,460	57,491
Hong Kong dollar	482	37,660	1,161	62,619
Taiwan dollar	955	36,349	748	43,414
US dollar	994	25,108	858	35,794
Indian rupee	169	18,865	147	16,205
Total	3,683	166,670	4,374	251,523

^(a) Comparative figures for the year ended 31 March 2021 on the capital return column have been revised to exclude income items.

A 10% weakening of sterling against the above currencies would have resulted in an equal and opposite effect on the above amounts.

Interest rate risk

The Company is permitted to invest in interest bearing securities. Any change to the interest rates relevant to particular securities may result in income either increasing or decreasing, or the Investment Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held and the interest payable on bank loans when interest rates are reset.

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

The revolving loan bears interest at the rate of 1.125% over the daily SONIA rate plus the applicable baseline credit adjustment spread. Hence, movements in SONIA rates may result in an increase or decrease of the interest payable on the revolving loan affecting the net asset value of the Company.

Interest rate risk profile

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

	2022 £'000	2021 £'000
Cash	125,855	85,212
Revolving credit facility	(50,000)	–
Net exposure at year end	75,855	85,212

Notes to the Financial Statements (continued)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company. Cash balances are held on call deposit and earn interest at the bank's daily rate. The Company's net assets are sensitive to changes in interest rates on borrowings. There was no exposure to fixed interest investment securities during the year or at the year end.

Interest rate sensitivity

If the above level of cash and revolving credit facility were maintained for a year and interest rates were 100 basis points higher or lower, the net profit after taxation would be impacted by the following amounts:

	2022		2021	
	100 basis points increase £'000	100 basis points decrease £'000	100 basis points increase £'000	100 basis points decrease £'000
Revenue	1,109	(1,109)	852	(852)
Capital	(350)	350	–	–
Total	759	(759)	852	(852)

Liquidity risk

The Company's assets comprise mainly securities listed on the stock exchanges of emerging economies. Liquidity can vary from market to market and some securities may take a significant period to sell. As a closed ended investment trust, liquidity risks attributable to the Company are less significant than for an open-ended fund.

The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the large number of quoted investments held in the portfolio and the liquid nature of the portfolio of investments.

The Investment Manager reviews liquidity at the time of making each investment decision and monitors the evolving liquidity profile of the portfolio regularly.

The below table details the maturity profile of the Company's financial liabilities as at 31 March 2022, based on the earliest date on which payment can be required and current exchange rates as at the Balance Sheet date:

	In one year or less £'000	More than one year and not later than two years £'000	More than two years and not later than three years £'000	More than three years £'000	Total £'000
As at 31 March 2022					
Fixed term loan	2,089	2,089	102,095	–	106,273
Revolving credit facility	51,117	–	–	–	51,117
Other payables	7,117	–	–	–	7,117
Total	60,323	2,089	102,095	–	164,507

Notes to the Financial Statements (continued)

	In one year or less	More than one year and not later than two years	More than two years and not later than three years	More than three years	Total
As at 31 March 2021 ^(a)	£'000	£'000	£'000	£'000	£'000
Fixed term loan	2,100	2,089	2,089	102,095	108,373
Revolving credit facility	471	–	–	–	471
Other payables	2,887	–	–	–	2,887
Total	5,458	2,089	2,089	102,095	111,731

^(a) Comparative figures for the year ended 31 March 2021 have been revised to exclude the capital gains tax provision from other payables as it does not meet the definition of a financial liability. Also, finance costs related to the revolving credit facility have been presented separately from other payables.

Counterparty and credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (in relation to sale or declared dividend) after the Company has fulfilled its responsibilities. The Company only buys and sells through brokers which have been approved by the Investment Manager as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time. These limits are reviewed regularly. The amounts under trade and other receivables and cash and cash equivalents shown in the Statement of Financial Position represent the maximum credit risk exposure at the year end.

The Company has an ongoing contract with its custodian (JPMorgan Chase Bank) for the provision of custody services.

As part of the annual risk and custody review, the Company reviewed the custody services provided by JPMorgan Chase Bank and concluded that, while there are inherent custody risks in investing in emerging markets, the custody network employed by TEMIT has appropriate controls in place to mitigate those risks, and that these controls are consistent with recommended industry practices and standards.

Securities held in custody are held in the Company's name or to its accounts. Details of holdings are received and reconciled monthly. Cash is actively managed by Franklin Templeton's Trading Desk in Edinburgh and is typically invested in overnight time deposits in the name of TEMIT with an approved list of counterparties. Any excess cash not invested by the Trading Desk will remain in a JPMorgan Chase interest bearing account. There is no significant risk on debtors and accrued income or tax at the year end.

During the year, the Company participated in a securities lending programme through JPMorgan as the lending agents. As at 31 March 2022, the market value of the securities on loan and the corresponding collateral received were as follows:

	31 March 2022		31 March 2021	
Counterparty	Market value of securities on loan	Market value of collateral received	Market value of securities on loan	Market value of collateral received
	£'000	£'000	£'000	£'000
Merrill Lynch International	2,908	4,047	–	–
Citigroup	382	558	82	119
Morgan Stanley	–	–	7,820	10,581
UBS	–	–	3,285	4,055
Total	3,290	4,605	11,187	14,755

Notes to the Financial Statements (continued)

The maximum aggregate value of securities on loan at any time during the year was £17,002,296. The collateral received comprised investment grade sovereign bonds and treasury notes and bonds.

Fair value

Fair values are derived as follows:

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

Investments held by the Company are valued in accordance with the accounting policies. The carrying value of the other financial assets and liabilities of the Company which is included in the Statement of Financial Position is a reasonable approximation of the fair value.

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

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

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

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

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

	31 March 2022				31 March 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed investments	2,103,727	–	20,803 ^{(a)(b)}	2,124,530	2,548,121	50,954	–	2,599,075

(a) On 31 March 2021 the company listing for Brilliance China Automotive was suspended from the Hong Kong stock exchange. For the 31 March 2021 Annual Report, given the suspension the previous published market price was not deemed representative of fair value and was subsequently reduced by 10% based on facts and circumstances known at that date, as a result the fair value of the Company's holding at 31 March 2021 was £50,594,000 and the stock disclosed as Level 2. As the stock remained suspended at 31 March 2022 the stock has been transferred from Level 2 to Level 3. The closing value of the Company's holding as at 31 March 2022 was £20,803,000. This valuation was based on a beta model with the unobservable inputs shown in the table below.

(b) Russian investments in Gazprom, LUKOIL, Sberbank of Russia, VK, and Yandex have been fair valued at zero as at 31 March 2022 as a result of trading being suspended on international stock exchanges. These investments have been transferred from Level 1 to Level 3.

The following table presents the key unobservable inputs for Brilliance China Automotive's beta model as at 31 March 2022:

Description	Fair value £'000	Unobservable input	Weighted average input	Reasonable possible shift +/-	Reasonable possible shift + £'000	Reasonable possible shift - £'000
Equities	20,803	Index movement	-12%	4%	1,157	(1,157)
		Unleveraged beta	1.19	0.5	(1,434)	1,434

Notes to the Financial Statements (continued)

The following table presents the movement in Level 3 investments for the year ended:

	31 March 2022 £000	31 March 2021 £000
Opening balance	–	–
Transfers from Level 1 into Level 3	149,593	–
Transfers from Level 2 into Level 3	50,954	–
Net losses on investments at fair value	(179,744)	–
Level 3 closing balance	20,803	–

The fixed term loan is shown at amortised cost within the Statement of Financial Position. If the fixed term loan was shown at fair value the impact would be to decrease the Company's net assets by £390,000. The fair value of the Company's fixed term loan at the year-end was £100,390,000 (2021: £102,560,000). The fair value of the fixed term loan is calculated by aggregating the expected future cash flows which are discounted at a rate comprising the sum of SONIA rate plus a static spread. The fixed term loan is considered to be classed as Level 2.

16 Significant holdings in investee undertakings

As at 31 March 2022 and 2021, TEMIT had no significant holdings of 3% or more of any issued class of security within the portfolio.

17 Contingent liabilities

No contingent liabilities existed as at 31 March 2022 or 31 March 2021.

18 Contingent assets

No contingent assets existed as at 31 March 2022 or 31 March 2021.

19 Financial commitments

No financial commitments existed as at 31 March 2022 or 31 March 2021.

20 Capital management policies and procedures

The Company's objective is to provide long-term capital appreciation for private and institutional investors seeking exposure to global emerging markets, supported by a culture of both strong customer service and corporate governance.

The Board monitors and regularly reviews the structure of the Company's capital on an ongoing basis. This review includes the investment performance and outlook, discount management mechanisms including share buybacks, gearing and the extent to which revenue in excess of that which is required to be distributed under the investment trust rules should be retained.

The Company's investment policy allows borrowing of up to 20% of net assets, measured at the time of borrowing.

As at 31 March 2022, the Company had share capital and reserves of £2,100,390,000 (31 March 2021: £2,591,287,000).

21 Events after the reporting period

Subsequent to the year end, the Investment Manager rolled forward the £50 million revolving facility drawdown and took this borrowing out for a further six months.

The only other material post balance sheet event is in respect of the proposed dividend, which has been disclosed in Note 13.

Securities Financing Transactions – Unaudited

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365) as a result of its stock lending programme. In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFT for the accounting period ended 31 March 2022 are detailed below.

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, was 0.2%. Total lendable assets represent the aggregate value of asset types forming part of the Company's securities lending programme.

Collateral

The following table sets out details of the non-cash collateral received by the Company by way of title transfer collateral arrangements in securities lending transactions as at the balance sheet date:

Issuer	Type and quality of collateral ^(a)	Currency	Maturity Tenor	31 March 2022 £000	31 March 2021 £000
Commonwealth of Australia	Sovereigns	Australian dollar	More than 1 year	–	560
Federal Republic of Germany	Sovereigns	Euro	More than 1 year	8	9
Federal Republic of Germany	Sovereigns	Euro	Less than 1 year	24	11
French Republic Government	Sovereigns	Euro	More than 1 year	865	8,500
French Republic Government	Sovereigns	Euro	Less than 1 year	38	2
Government of Canada	Sovereigns	Canadian dollar	Less than 1 year	–	1,049
Kingdom of Belgium Government	Sovereigns	Euro	More than 1 year	14	2,376
Kingdom of Belgium Government	Sovereigns	Euro	Less than 1 year	–	1
Kingdom of The Netherlands Government	Sovereigns	Euro	More than 1 year	612	347
Republic of Austria Government	Sovereigns	Euro	More than 1 year	85	8
Republic of Austria Government	Sovereigns	Euro	Less than 1 year	20	–
Republic of Finland Government	Sovereigns	Euro	More than 1 year	1	6
Republic of Finland Government	Sovereigns	Euro	Less than 1 year	15	–
Republic of Switzerland Government	Sovereigns	Euro	More than 1 year	29	–
United States Treasury	Treasury bonds	US dollar	More than 1 year	1,170	75
United States Treasury	Treasury notes	US dollar	More than 1 year	1,232	1,811
United States Treasury	Treasury notes	US dollar	Less than 1 year	390	–
United Kingdom Government	Sovereigns	Sterling	More than 1 year	102	–
Total non-cash collateral received				4,605	14,755

^(a) Quality of collateral pertaining to bond instruments has been assessed and reported in accordance with whether they are considered investment grade or below investment grade. Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency.

Securities Financing Transactions – Unaudited (continued)

Re-use of collateral

Non-cash collateral received by way of title transfer collateral arrangements in relation to securities lending transactions cannot be sold, re-invested or pledged. The Company has the right to sell or re-pledge non-cash collateral received in circumstances such as default.

Collateral received

All collateral received by the Company in respect of securities lending transactions is held at the Company's custodian, JPMorgan Chase Bank.

Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions) in respect of securities lending transactions as at the balance sheet date and their country of incorporation.

Counterparty	Country of incorporation	31 March 2022 £000	31 March 2021 £000
Merrill Lynch International	United Kingdom	2,908	–
Citigroup	United States of America	382	82
Morgan Stanley	United States of America	–	7,820
UBS	Switzerland	–	3,285
Total gross volume of outstanding transactions		3,290	11,187

Maturity tenor of securities on loan

The following table provides an analysis of the maturity tenor of securities on loan outstanding as at the balance sheet date.

Maturity tenor of securities on loan	31 March 2022 £000	31 March 2021 £000
Open maturity	3,290	11,187
Total securities on loan	3,290	11,187

The above maturity tenor analysis has been based on the respective transaction contractual maturity date. Open maturity transactions are those transactions that are callable or terminable on a daily basis.

Investor Information

Notice of Meeting

Notice is hereby given that the Annual General Meeting ("AGM") will be held on Thursday 14 July 2022 at 12 noon at Barber-Surgeons' Hall, Monkwell Square, Wood St, Barbican, London EC2Y 5BL.

While we hope that shareholders will be able to attend, the Directors are aware that Government guidance and regulation relating to the COVID-19 pandemic may change. If we are obliged to change the arrangements for the AGM after publishing this Notice, details will be published via a Stock Exchange announcement in London and New Zealand and on our website.

Shareholders who plan to attend the AGM are encouraged to check the website before travelling www.temit.co.uk.

The AGM will transact the following business:

To consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions.

Ordinary Business

1. To receive and adopt the Directors' and Auditor's Reports and Financial Statements for the year ended 31 March 2022.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2022.
3. To declare a final dividend of 2.80 pence per share for the year ended 31 March 2022.
4. To appoint the Directors:
 - 4.1. To re-elect Paul Manduca as a Director.
 - 4.2. To re-elect Charlie Ricketts as a Director.
 - 4.3. To re-elect David Graham as a Director.
 - 4.4. To re-elect Simon Jeffreys as a Director.
 - 4.5. To re-elect Magdalene Miller as a Director.
5. To re-appoint Ernst & Young LLP as auditor of the Company, to act until the conclusion of the next general meeting of the Company at which audited accounts are laid before the members.
6. To authorise the Directors to determine the auditor's remuneration.

Special Business

As an Ordinary Resolution

7. That, in substitution for any existing authority, the Directors be generally and unconditionally authorised to allot equity securities (as defined in Section 560 of the Companies Act 2006 (the "Act")) pursuant to Section 551 of the Act, up to an aggregate nominal amount of £2,942,000 (being an amount equal to 5% of the existing issued share capital of the Company as at 31 May 2022, being the latest practicable date before the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the annual general meeting of the Company to be held in 2023 save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Notice of Meeting (continued)

As a Special Resolution

8. That, in substitution for any existing authority, subject to the passing of resolution 7, the Directors be given the general power pursuant to sections 570 and 573 of the Act to allot equity securities (as defined by Section 560 of the Act) for cash pursuant to the authority conferred by resolution 7, and/or to sell equity securities held as treasury shares for cash pursuant to Section 727 of the Act, in each case as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
- (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever;
 - (b) any such allotment and/or sale, otherwise than pursuant to sub paragraph (a) above, of ordinary shares having an aggregate nominal value, not exceeding the sum of £2,942,000 (being an amount equal to 5% of the existing issued share capital of the Company as at 31 May 2022, being the latest practicable date before the date of this notice); and
 - (c) any allotment pursuant to sub-paragraph (b) above being at a price which is at or above the prevailing NAV per share at the time of issue.

The power granted by this resolution will expire on the conclusion of the annual general meeting of the Company to be held in 2023 (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot and/or sell equity securities held as treasury shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

9. That in substitution for any existing authority, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006), of its ordinary shares in issue, provided that:
- (i) the maximum number of ordinary shares hereby authorised to be purchased shall not exceed 14.99% of the Company's issued ordinary share capital, excluding treasury shares, at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for a share shall be the nominal value of an ordinary share (excluding expenses);
 - (iii) the maximum price which may be paid (excluding expenses) for a share shall not be more than the higher of: (a) an amount equal to 105 per cent of the average of the closing mid-market price for the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and (b) the higher of the last independent trade price and the highest current independent purchase bid price on the trading venue where the purchase is carried out;
 - (iv) unless renewed, the authority hereby conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2023, save that the Company may, and prior to such expiry, enter into a contract to purchase shares which will or may be completed wholly or partly after such expiry; and
 - (v) shares will only be purchased at a price which is at a discount to the prevailing NAV per share at the time of purchase.

Notice of Meeting (continued)

10. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the annual general meeting in 2023.

By order of the Board
Paul Manduca

14 June 2022
Registered Office: 5 Morrison Street, Edinburgh, EH3 8BH

Notes:

1. THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000.
2. If you have sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so that they can pass these documents to the person who now holds the shares.
3. The Company specifies that only those members registered on the Company's register of members at 6.30 pm on 12 July 2022 shall be entitled to vote at the annual general meeting (the "Meeting").
4. A member of the Company entitled to vote at the Meeting may appoint a proxy or proxies to vote thereat instead of him. A proxy need not be a member of the Company.
5. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares held by that member. A member may not appoint more than one proxy to exercise rights attached to one share. Please contact the Company's registrar Equiniti, at Aspect House, Lancing, West Sussex BN99 6DA to appoint more than one proxy. In the case of joint holders, the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
6. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
7. A proxy form is enclosed with copies of this Report which are sent to registered shareholders. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
8. A proxy form must be returned to the Company's registrar, Equiniti, Aspect House, Lancing, West Sussex BN99 6DA to arrive not later than 12 noon on 12 July 2022. New Zealand registered shareholders must return a proxy form to Computershare, Private Bag 92119, Auckland 1142, New Zealand to arrive not later than 5.00pm on 11 July 2022 (New Zealand time).
9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member provided that no more than one corporate representative exercises powers over the same share.
10. As at 31 May 2022, the Company's issued share capital was 1,177,147,811 shares of 5 pence each. Each share carries the right to vote at an annual general meeting of the Company and, therefore, the total number of voting rights in the Company as at 31 May 2022 was 1,177,147,811.

Notice of Meeting (continued)

11. Copies of the letters of appointment of the Directors of the Company and the Articles of Association are available for inspection at the Company's registered office at 5 Morrison Street, Edinburgh, EH3 8BH, and online at www.temit.co.uk until the close of the meeting and at the Meeting (for 15 minutes prior to the Meeting and during the Meeting).
12. Electronic proxy appointment for CREST members (for UK only). CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA19) by the latest time(s) for receipt of appointments specified in the Notice of Meeting or, in the event of an adjournment of the Meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
13. Electronic proxy appointment for non-CREST members (for UK only). Shareholders who prefer to register the appointment of their proxy electronically via the Internet can do so through the Equiniti website at www.sharevote.co.uk where full instructions on the procedure are given. The personal Voting ID, Task ID and Shareholder Reference Number printed in the voting pack will be required to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti's on-line portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12 noon on 12 July 2022. Please note that any electronic communication found to contain a computer virus will not be accepted.
14. Electronic proxy appointment for New Zealand registered shareholders. New Zealand registered investors who prefer to register the appointment of their proxy electronically via the Internet can do so through the Computershare website at www.investorvote.co.nz, and enter the Control Number to be provided by Computershare, where full instructions on the procedure are given. Your CSN (Common Shareholder Number) and postal code will be required to use this electronic proxy appointment system. A proxy appointment made electronically will not be valid if sent to any address other than that provided or if received after 5.00pm (New Zealand time) on 11 July 2022. Please note that any electronic communication found to contain a computer virus will not be accepted. New Zealand registered investors cannot appoint more than one proxy when registering the appointment of their proxy electronically.

Notice of Meeting (continued)

15. A member of the Company may make a request in accordance with Section 527 of the Companies Act 2006 to have a statement published on the Company's website setting out an audit concern. This allows a member or members having a right to vote at the Meeting and holding at least 5% of the total voting rights of the Company, or at least 100 members having a right to vote at the Meeting and holding, on average, at least £100 of the paid up share capital, to make a request so that the Company must publish on its website a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website: (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request; (ii) it must forward the statement to the Company's auditor no later than the time at which the statement is made available on the Company's website; and (iii) the statement may be dealt with as part of the business of the Meeting. A member wishing to request publication of such a statement on the Company's website must send the request to the Company in hard copy form to the Company Secretary or by email to enquiries@franklintempleton.co.uk. The request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported and be received by the Company at least one week before the Meeting. Please note that any electronic communication found to contain a computer virus will not be accepted.
16. Any member has the right to ask questions. Pursuant to Section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member relating to the business being considered, except if a response would not be in the interests of the Company or for the good order of the Meeting or if to do so would involve the disclosure of confidential information. The Company may, however, elect to provide an answer to a question within a reasonable period of days after the conclusion of the Meeting. The answers to questions raised by shareholders will be provided on our website.
17. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website, www.temit.co.uk.
18. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Investor Communications

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

Daily

- Daily net asset value

Monthly

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

Quarterly

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

Ad hoc

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

You can also download important documents such as the latest Investor Disclosure Document and Company Policies from our website www.temit.co.uk.

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

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

General Information

REGISTERED OFFICE

5 Morrison Street
Edinburgh
EH3 8BH UK
(Registered No. SC118022)
www.temit.co.uk

REGISTRAR – UK

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

REGISTRAR – NEW ZEALAND

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna Auckland 0622
NEW ZEALAND
enquiry@computershare.co.nz
Tel +649 488 8777

ALTERNATIVE INVESTMENT FUND MANAGER AND COMPANY SECRETARY (until 30 September 2021)

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

ALTERNATIVE INVESTMENT FUND MANAGER AND COMPANY SECRETARY (effective from 1 October 2021)

Franklin Templeton Investment
Trust Management Limited
5 Morrison Street
Edinburgh
EH3 8BH
UK

FINANCIAL ADVISER AND STOCKBROKER

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

SOLICITOR

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

SOLICITOR

Buddle Findlay
HSBC Tower
Level 18, 188 Quay Street
PO Box 1433
Auckland 1140
New Zealand

CUSTODIAN

JPMorgan Chase Bank
25 Bank Street
London
E14 5JP
UK

DEPOSITARY

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

AUDITOR

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX
UK

Shareholder Information

How to invest

There are two main ways to invest in TEMIT:

1. Through an investment platform. A number of fund supermarkets or investment platforms allow you to buy, hold and sell shares in investment trusts such as TEMIT quickly and easily at a low cost. Many have no minimum investment requirements. There are a number of companies that offer these services and may also allow you to include TEMIT as an investment in an ISA or Self-Invested Pension Plan. Some of the most popular include Hargreaves Lansdown, Interactive Investor, Fidelity, Charles Stanley Direct and AJ Bell.
2. The Association of Investment Companies ("AIC") provides an independent analysis of platform costs and charges on their website in the 'Ready to Invest' section.
Equiniti, the Registrar, offers an online or telephone service where you can buy shares in TEMIT as part of an Investment Account or an Individual Savings Account.
Please note that this is not a complete list of ISA or SIPP providers and you should not consider this list to be a recommendation of the services which these providers offer.
3. Directly through the stock market. You can invest directly in Templeton Emerging Markets Investment Trust PLC by purchasing shares in the stock market through a stockbroker or authorised Financial Adviser.

Financial advice

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

NAV publication and reference codes

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

Codes:

Ticker	TEM LN
ISIN	GB00BKPG0S09
SEDOL	BKPG0S0

Shareholder Information (continued)

Dividend Reinvestment Plan (“DRIP”)

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

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

Financial calendar

Final Dividend Ex-Date	30 June 2022
Final Dividend Record Date	1 July 2022
AGM	14 July 2022
Final Dividend Payment Date	28 July 2022
Half Year End	30 September 2022
Half Yearly Report Published	December 2022
Interim Dividend Record Date	December 2022

Glossary of Alternative Performance Measures

Net asset value total return

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

To calculate total return, it is assumed that dividends are reinvested into the assets of the Company at the prevailing NAV on the day that the shares first trade ex-dividend (see page 1). The NAVs include income for the current period (“cum-income”).

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

Total return calculation	2022 ^(a)	2021 ^(a)
a) Opening (as at 31 March 2021/2020)	219.4	146.5
b) Closing (as at 31 March 2022/2021)	178.2	219.4
c) Effect of dividend reinvestment ^(b)	3.2	6.9
d) Adjusted closing (b+c)	181.4	226.3
NAV total return {(d-a)/a}	(17.3)%	54.5%

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

^(b) Dividends assumed to be reinvested on ex-date. Dividend of 2.80p relating to financial year 2021 went ex on 17 June 2021 (2021: dividend of 2.80p related to financial year 2020 went ex on 11 June 2020). Dividend of 1.00p relating to interim for financial year 2022 went ex 2 December 2021 (2021: dividend of 3.00p related to interim and special dividend for financial year 2021 went ex 3 December 2020).

Share price total return

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

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

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

Total return calculation	2022 ^(a)	2021 ^(a)
a) Opening (as at 31 March 2021/2020)	202.4	131.4
b) Closing (as at 31 March 2022/2021)	156.4	202.4
c) Effect of dividend reinvestment ^(b)	3.1	7.2
d) Adjusted closing (b+c)	159.5	209.6
Share price total return {(d-a)/a}	(21.2)%	59.5%

^(a) Comparative figures for the year ended 31 March 2021 have been retrospectively adjusted following the sub-division of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each on 26 July 2021.

^(b) Dividends assumed to be reinvested on ex-date. Dividend of 2.80p relating to financial year 2021 went ex on 17 June 2021 (2021: dividend of 2.80p related to financial year 2020 went ex on 11 June 2020). Dividend of 1.00p relating to interim for financial year 2022 went ex 2 December 2021 (2021: dividend of 3.00p related to interim and special dividend for financial year 2021 went ex 3 December 2020).

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

A measure showing the relationship between the share price and the NAV, which is expressed as a percentage of the NAV per share (see page 2). As at 31 March 2022 the Company’s share price was 156.4 pence and the NAV per share was 178.2 pence, therefore the discount was $(156.4 - 178.2)/178.2 = 12.2\%$ (31 March 2021: 7.7%).

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

Gearing/net gearing

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

Glossary of Alternative Performance Measures (continued)

	2022	2021
Net gearing calculation	£'000	£'000
a) Bank loans	150,000	100,000
b) Cash held	125,855	85,212
c) Net assets (excluding loans)	2,250,390	2,691,287
Total gearing = {(a-b)/c}	1.1%	0.5%

Ongoing charges ratio

The OCR represents the annualised ongoing charges (excluding finance costs, transaction costs and taxation) divided by the average daily net asset values of the Company for the period and has been prepared in accordance with the AIC's recommended methodology. Ongoing charges reflect expenses likely to recur in the foreseeable future. As at 31 March the OCR was 0.97% (31 March 2021: 0.97%).

For periods where the AIFM fee changes during the year, the latest fee rate is used for the purposes of the OCR to accurately reflect the expected future ongoing charges to the Company.

	2022	2021
Ongoing charges calculation	£'000	£'000
a) Total AIFM fee and other expenses	23,392	22,567
b) Average net assets	2,399,592	2,322,547
Ongoing charges (a/b)	0.97%	0.97%

Gross total return

Gross total return is net asset value total return before the deduction of expenses (see page 12).

Excess return

The difference between the gross total return of TEMIT and the benchmark total return (see page 12).

Residual return

A measure representing the difference between the actual excess return and the excess return explained by the attribution model. This amount results from several factors, most significantly the difference between the actual trade price of securities included in actual performance and the end of day price used to calculate attribution (see page 12).

Benchmark return

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

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

Although not an alternative performance measure, total return of the benchmark is calculated on a closing market value to closing market value basis, assuming that all dividends received were reinvested into the shares of the relevant companies at the time at which the shares were quoted ex-dividend (see page 1). Returns are converted by the index provider into sterling at prevailing exchange rates.

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

Benchmark performance source: MSCI.

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