



2019

**Annual Financial Report**  
for the year ended 30<sup>th</sup> June 2019

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NOTE: All reference to ‘US dollars’ or ‘\$’ throughout this report are to the United States currency.

# Introduction

## Objective

The objective of Genesis Emerging Markets Fund Limited (the 'Fund' or 'GEMF') is to achieve long-term capital growth, primarily through investment in listed equity markets of developing countries.

## Structure

GEMF is a Guernsey based Authorised Closed-Ended Investment Scheme with the ability to issue additional shares. The Fund's shares are listed on the premium segment of the Official List of the UK Listing Authority, traded on the London Stock Exchange and are included in the FTSE 250. The number of Participating Preference Shares outstanding is 121,466,754 as at 30<sup>th</sup> June 2019 (30<sup>th</sup> June 2018: 134,963,060).

## Manager

Up until 30<sup>th</sup> June 2019, Genesis Asset Managers, LLP (the 'Manager' or 'Genesis' or 'GAM, LLP') was the investment manager of the Fund and Genesis Investment Management, LLP (the 'Investment Adviser' or 'GIM, LLP') was the investment adviser. Both GAM, LLP and GIM, LLP are members of the Genesis Group, an asset management group specialising in the investment management of institutional funds in the emerging markets.

On 30<sup>th</sup> June 2019, a reorganisation of the Genesis Group was completed and GIM, LLP, having obtained its Alternative Investment Fund Manager ('AIFM') license, became the new investment manager of the Fund. For the purposes of this annual report, GAM, LLP will be referred to as the Manager and GIM, LLP will be referred to as the Investment Adviser, unless otherwise stated.

## Investment Approach

The investment approach is to identify companies which are able to take advantage of growth opportunities in emerging markets and invest in them when they are trading at an attractive discount to the Manager's assessment of their intrinsic value.



# Strategic Report



# Highlights and Performance

## GEMF Total Return in GBP for the Year to 30<sup>th</sup> June 2019

### 11.1%

Share Price Total Return<sup>(1)</sup>

### 9.0%

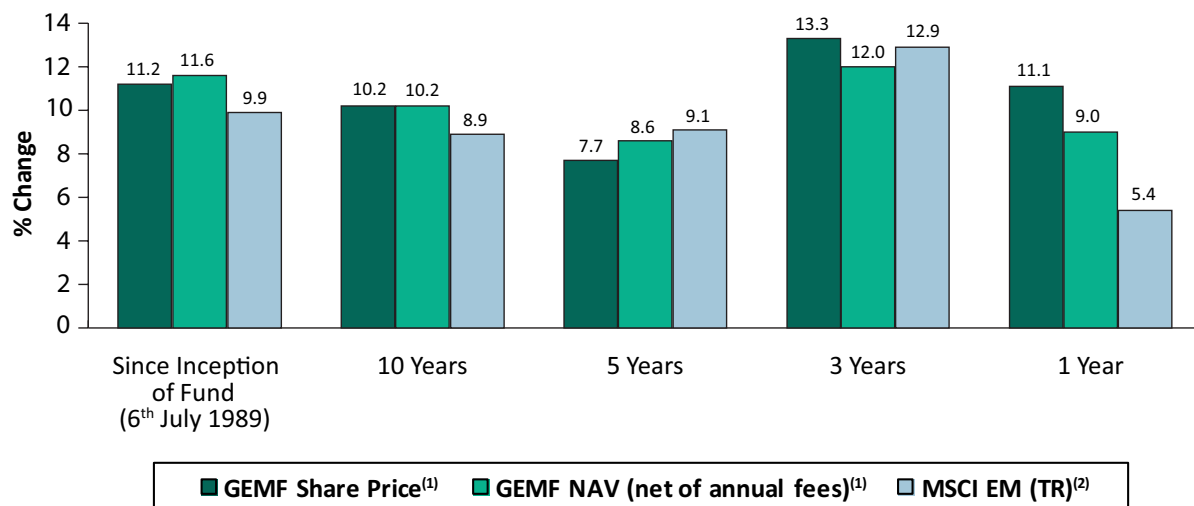
Net asset value per  
Participating Preference  
Share Total Return<sup>(1)</sup>

### 5.4%

MSCI EM (TR) Index<sup>(2)</sup>

	30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018	% change
<b>USD</b>			
Net Assets <sup>(3)</sup>	\$1,305.3m	\$1,408.5m	(7.3)
Net Asset Value per Participating Preference Share <sup>(3)</sup>	\$10.75	\$10.44	3.0
Dividend per Participating Preference Share <sup>(3)(4)</sup>	\$0.19	\$0.19	–
<b>GBP</b>			
Net Assets <sup>(5)</sup>	£1,025.6m	£1,066.8m	(3.9)
Net Asset Value per Participating Preference Share <sup>(5)</sup>	£8.44	£7.90	6.8
Share Price	£7.57	£6.97	8.6
Discount of Share Price to Net Asset Value per Participating Preference Share <sup>(1)</sup>	10.3%	11.9%	
Number of Participating Preference Shares	121,466,754	134,963,060	
Ongoing charges ratio <sup>(1)</sup>	1.11%	1.10%	
Countries represented in portfolio	32	35	
Number of holdings	112	126	

## Annualised Total Returns in GBP to 30<sup>th</sup> June 2019



<sup>(1)</sup> Alternative Performance Measures – refer to Glossary of Terms on page 76.

<sup>(2)</sup> MSCI Emerging Markets (Total Return) Index.

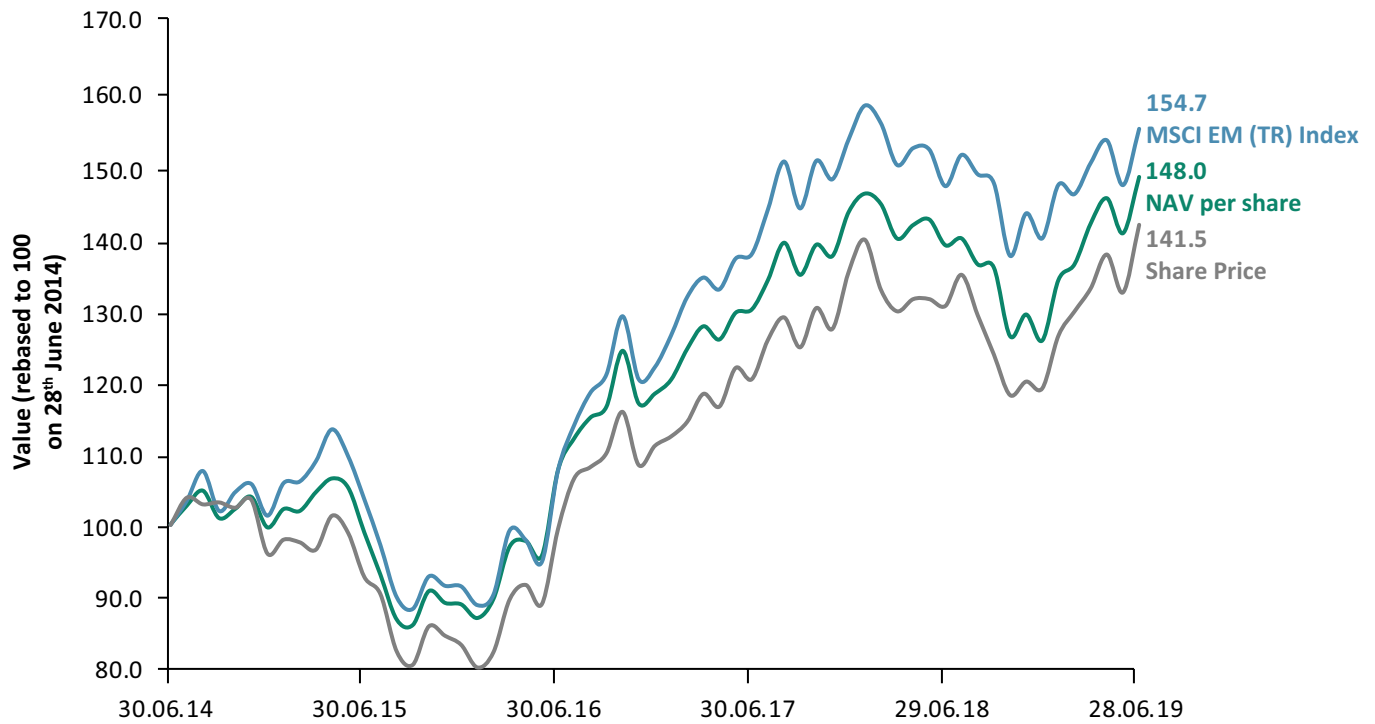
<sup>(3)</sup> IFRS measure. Refer to pages 50 to 73 in the Financial Statements and Notes to the Financial Statements.

<sup>(4)</sup> A dividend of \$0.19 per Participating Preference Share on the Fund's profits for the year ended 30<sup>th</sup> June 2019 has been proposed.

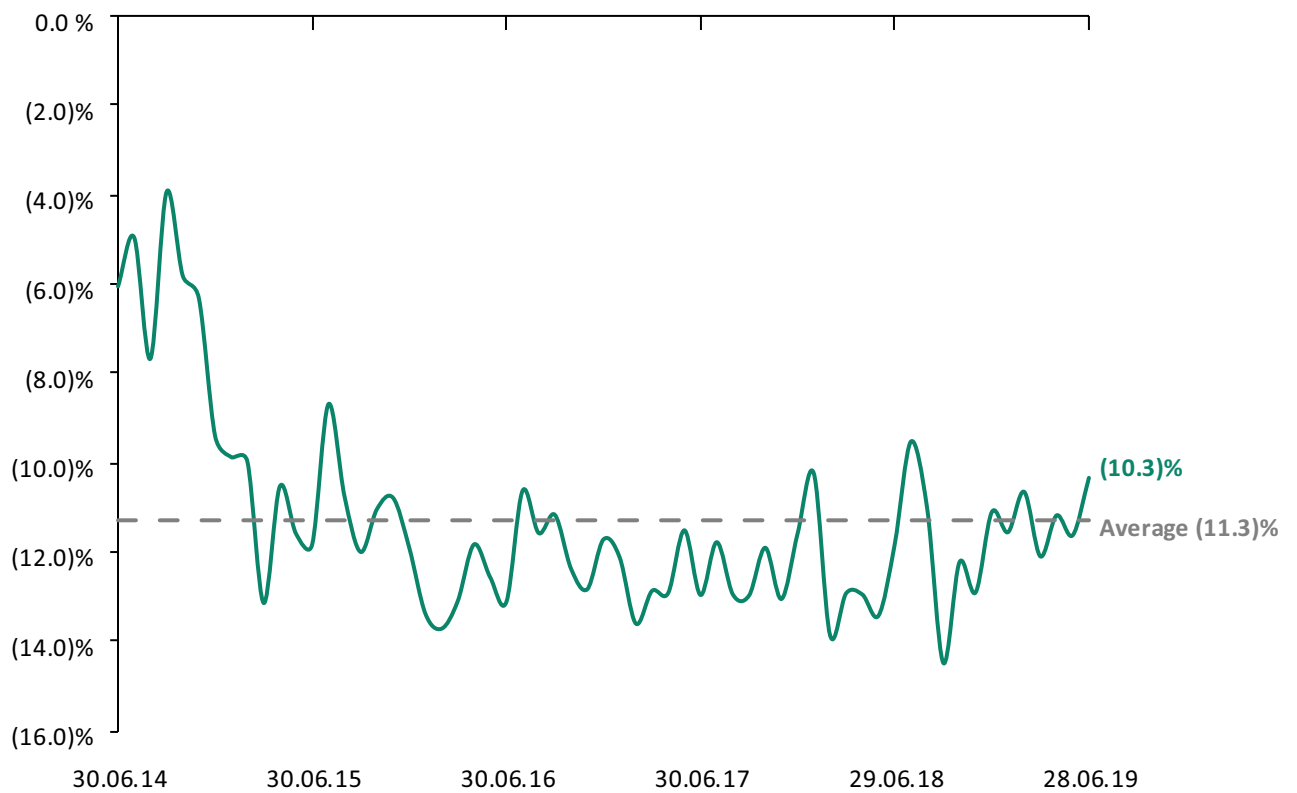
<sup>(5)</sup> Translation of the USD measures using the GBP/USD exchange rate as at 30<sup>th</sup> June 2019 of 1.2727 (2018: 1.3203).

Past performance is no guarantee of future performance.

### Performance – last 5 Years<sup>(1)</sup>



### Discount to NAV – last 5 Years<sup>(1)</sup>



<sup>(1)</sup> Based on month-end Net Asset Values

# Chairman's Statement

I have pleasure in presenting to shareholders the thirtieth annual report of the Genesis Emerging Markets Fund Limited, for the period ended 30<sup>th</sup> June 2019.

## Overview

Over the year to 30<sup>th</sup> June 2019, the Fund's net asset value (NAV) rose by 9.0% in sterling total return terms. This compares to a rise of 5.4% in the Fund's benchmark, the MSCI Emerging Markets Total Return Index (the 'Index'). The Fund's share price rose by 11.1% (adjusted for dividends paid) over the same period.

The Fund has benefited significantly from opportunities arising from market weakness at the end of 2018 and into early 2019, with several new positions, particularly in China, contributing substantially to relative performance. Further value was derived from a broad range of positions across the markets of Brazil, India, Thailand and Indonesia, with notable gains generated in three sectors – financials, consumer and IT. Such performance attests to the Manager's focus on long-term investment performance. This is produced by working as a team in making investments in quality businesses at attractive prices, supported by deep fundamental research, constructive challenge and support. Although the average holding period in the Fund is in excess of five years, the Manager has shown decisiveness when markets present compelling valuation opportunities.

A more detailed explanation of the year's performance is provided in the Manager's Review on pages 14 to 16.

The Fund held its Annual General Meeting ('AGM') on 13<sup>th</sup> November 2018, and as ever, we appreciate shareholders' support and thank them for their approval of all resolutions presented at the meeting. The subsequent Shareholder Information Meeting on 14<sup>th</sup> November 2018 provided shareholders an opportunity to hear from, and ask questions of, representatives of the Manager.

A dividend of 14.8p (19.0 cents) per Participating Preference Share was paid to shareholders on 21<sup>st</sup> December 2018. As discussed in the 2018 Annual Report, the Board considers that this level of dividend represents an appropriate balance between the various differing interests, and opinions, held across the shareholder base – while maintaining the fundamental focus on capital growth as the Fund's primary objective.

For the year ended 30<sup>th</sup> June 2019, a final dividend of 19.0 cents per Participating Preference Share has been proposed and is subject to approval by shareholders at the AGM.

A new Investment Management Agreement was entered into between GIM, LLP and the Fund effective from 30<sup>th</sup> June 2019 and the management fee payable to GIM, LLP was reduced slightly to 0.90% of net asset value ('NAV') of the Fund per annum. The Board continue to monitor the appropriateness of such a fee level in relation to the peer group of similar closed end funds and remain confident that such a fee level is warranted.

## Discount

The discount of the share price to NAV per Participating Preference Share at the end of the period was 10.3%. The average level of the discount over the 12 months was 11.6% and has fluctuated between 9.1% and 14.5%. The Board continue to consider carefully such statistics, their relevance in comparison with an appropriate peer group, and potential options for active management of the discount. A tender offer as recommended by the Board, and approved by shareholders, for up to 10% of the shares in issue was executed in August 2018 at a 3.5% discount. Following the tender offer, a total of 13,496,306 shares was repurchased by the Fund and cancelled. Such action has had limited impact on the longer-term discount, which continues to move broadly in line with the associated peer group. Marketing activity was also stepped up in support of widening the Fund's shareholder base, following the appointment of an external agency, Edison, to raise exposure to both the wholesale and retail sectors.

In addition to the tender offer, the Board intends that if the Fund's NAV Total Return over 5 years ending 30<sup>th</sup> June 2021 does not exceed the Fund's benchmark NAV Total Return, the Fund will undertake a further tender offer for up to a further 25% of the Fund's issued share capital (excluding any shares held in treasury).

## The Board

At a Board meeting in June 2019, Dr Simon Colson was appointed as an independent Non-Executive Director with effect from 1<sup>st</sup> July 2019. Dr Colson has over 30 years' experience in financial markets, working in investment banking, investment management and financial consulting. The retirement of Dr John Llewellyn was also noted, with the Board thanking him for nine years of excellent service. Shareholders will have the opportunity to approve Dr Colson's appointment at the AGM, at which, the remaining five Directors will stand for re-election in accordance with the requirements of the AIC Code of Corporate Governance and the UK Corporate Governance Code. As ever, we continue to review how best the Board can provide the appropriate mix of skill, expertise, diversity and experience necessary in representing the interests of all shareholders. I continue to feel that we have such a combination and will continue to ensure that we remain current with best market practice.

## AGM, Shareholder Meeting and Shareholder Communication

At the end of the Annual Report is the notice convening the AGM to be held on 4<sup>th</sup> November 2019 in Guernsey, along with the schedule of resolutions for consideration. As ever, we encourage all shareholders to avail themselves of the opportunity to vote on the resolutions.

The Board wishes to ensure that shareholders have access to a range of up-to-date information about the Fund. As well as releasing announcements to the London Stock Exchange and issuing the Annual and Half-Yearly Reports, we encourage all shareholders to refer to the information on investment performance and portfolio activity contained in the Fund's monthly factsheets. These – and other Fund literature – can be found on the Fund's website: [www.genesisemf.com](http://www.genesisemf.com). Shareholders will also find at the end of this Annual Report an invitation to the Fund's annual Shareholder Information Meeting which this year will take place on 5<sup>th</sup> November 2019 at the Manager's office in London. We hope that as many shareholders as possible will take this opportunity to hear directly from representatives of the Manager. In general, the Manager will usually be best placed to address queries from shareholders. Clearly, however, it is important for shareholders to be able to communicate directly with the Board when necessary. I have continued to speak regularly with major shareholders over the year but invite any shareholders to contact me or Russell Edey (as Senior Independent Director), or indeed any of the Board, with comments and feedback. We can be reached via either the Manager or the Administrator at the addresses on page 75 of this Report.

## Outlook

While the short-term performance of the Fund is obviously pleasing, we are reminded by the Manager that the portfolio remains focused on the long term, in maintaining a disciplined and consistent investment approach across inevitable market fluctuations. We remain optimistic on the longer-term outlook for Emerging Markets, for many of the reasons that were valid when the Fund was launched fully thirty years ago. We expect continued growth from rising working age populations in Emerging Markets, and continuing convergence with higher income countries. We also remain of the view that Emerging Market equities are less efficiently priced than their Developed Markets counterparts, highlighting the utility of a rigorous fundamental research process.

**Hélène Ploix**  
Chairman  
30<sup>th</sup> September 2019



# Strategy, Business Model and Principal Risks

## Fund Objective

The objective of the Fund is to achieve long-term capital growth, primarily through investment in listed equity markets of developing countries.

## Investment Strategy

The core element of our strategy is to appoint and retain a high-quality manager whose investment philosophy best matches the Fund's objective, and carefully monitor the Fund's performance.

The Board believes that the Fund's Manager can best deliver excellent long-term performance by working as a team to make investments in quality businesses at attractive prices as explained below.

## Business and Status

The Fund is a closed-ended investment scheme authorised by the Guernsey Financial Services Commission and is listed on the London Stock Exchange.

The Fund was incorporated in Guernsey on 7<sup>th</sup> June 1989 and commenced business on 19<sup>th</sup> September 1989.

Reviews of the Fund's activities are included in the Chairman's Statement on pages 6 to 7 and Manager's Review on pages 14 to 16.

There has been no significant change in the activities of the Fund during the year to 30<sup>th</sup> June 2019 and the Directors anticipate that the Fund will continue to operate in the same manner during the current financial year.

## Business Model and Investment Process

The Fund has no employees or premises and the Board is comprised of non-executive Directors. The day-to-day operations and functions of the Fund have been delegated to third-party service providers who are subject to the oversight of the Board.

During the year under review GAM, LLP provided investment and risk management services, JP Morgan Chase Bank was the Custodian and JP Morgan Administration Services (Guernsey) Limited was the Administrator and Company Secretary. The Board regularly reviews the performance and risks of its primary service providers and checks that they have appropriate frameworks in place for the oversight of their internal controls, monitoring and reporting.

In line with the stated investment philosophy, the Manager employs a bottom-up investment approach with individual members of its investment team taking responsibility for analysis on individual companies. The investment process is founded on proprietary internal research, with the Manager's structure designed to allow a cohesive team of investors to generate fundamental research insights and, subject to rigorous challenge, express those insights in the portfolio. The Fund's portfolio is diversified across countries and industries and comprises approximately 110 holdings (currently representing some 32 different countries), to give a range of 10-15 per team member. The Manager believes that when its team concentrates on a smaller number of ideas, the research can be deeper and insights more valuable. Over the last few years, the Manager has increased this depth of focus and concentration, actively reducing the number of holdings in the Fund's portfolio from 142 three years ago to 112 at the end of the 2019 financial year.

The portfolio comprises holdings in predominantly high-quality, sustainable businesses, both large and small. As part of their analysis the Manager's team determines quality ratings for each company, which primarily measure a business' ability to generate sustainable excess returns on capital and US\$ intrinsic value stability. Many factors are incorporated into this analysis: as well as company-specific elements, the team considers the political and macroeconomic framework in which the company operates. Environmental, Social and Governance ('ESG') considerations are included in the analysis of sustainability, and the team takes ESG factors into account when determining the quality rating of a business. The Manager recognises that governance issues in particular are relevant to all companies and has laid out the key principles that it expects companies to follow from a corporate governance perspective.

Given that the average holding period of investments in client portfolios has consistently been more than five years and that this characteristic is expected to persist, the Manager is comfortable buying into relatively illiquid situations and building positions gradually. In the Manager's experience the trading liquidity of a stock improves as its underlying merits are gradually appreciated by a wider domestic and international investor base. Turnover is correspondingly low; typically of the order of 20-25% per annum (although for the 12 months ended 30<sup>th</sup> June 2018 and 2019, it was slightly higher).

There is no specific company market capitalisation range in which the Manager invests, and it is prepared to take positions in smaller-capitalisation stocks where compelling investment cases are found, in the belief that these can be a source of particularly attractive long-term investment opportunities. The Fund invests in a large number of emerging markets, many of which are not represented in the standard indices. The Manager aims to retain as much flexibility as possible with respect to portfolio constraints.

Because the Manager aims to invest in companies that can compound shareholders' capital, but also aims to invest at a discount to intrinsic value, the portfolio tends to have both growth and value characteristics.

The portfolio's investments are primarily listed equity securities. However, the Fund will also hold positions in Genesis affiliated investment companies, Participatory notes and Investee Funds, where appropriate. Details of the Fund's portfolio are shown on pages 21 to 26.

The Fund does not engage in any active management of foreign currency risk and the portfolio is currently unleveraged (refer to notes 14(b) and 14(e) respectively).

The Fund has participated in securities lending activities with JP Morgan Chase Bank N.A. since April 2016 (refer to note 2(n)).

## Principal Risks and Risk Management

The main risks to the value of its assets arising from the Fund's investment in financial instruments are unanticipated adverse changes in market prices and foreign currency exchange rates and an absence of liquidity. The Board reviews and agrees with the Manager policies for managing each of these risks and they are summarised on the following page. These policies have remained unchanged since the beginning of the period to which these financial statements relate.

### Volatility of emerging markets and market risk

The economies, currencies and the financial markets of a number of developing countries in which the Fund invests may be extremely volatile. To manage the risks posed by adverse price fluctuations the Fund's investments are geographically diversified, and will continue to be so. The exposure to any one company or group (other than an investment company, unit trust or mutual fund) is unlikely to exceed 5% of the Fund's net assets at the time the investment is made. The Articles of Incorporation place a limit of 10% for securities issued by one company but the Board use 5% for monitoring purposes.

## Foreign currency exposure

The Fund's assets will be invested in securities of companies in various countries and income will be received by the Fund in a variety of currencies. However, the Fund will compute its net asset value and distributions in US dollars. The value of the assets of the Fund as measured in US dollars may be affected favourably or unfavourably by fluctuations in currency rates and exchange control regulations. Further, the Fund may incur costs in connection with conversions between various currencies. The Fund has opted not to engage in any active management of foreign currency risk, and therefore all its open foreign exchange positions are typically unhedged.

## Lack of liquidity

Trading volumes on the stock exchanges of developing countries can be substantially less than in the leading stockmarkets of the developed world and trading may even be temporarily suspended during certain periods. Liquidity can also be negatively impacted by temporary capital controls in certain markets. A lower level of liquidity can exaggerate the fluctuations in the value of investments described previously. The restrictions on concentration and the diversification requirements detailed above also serve normally to protect the overall value of the Fund from the risks created by the lower level of liquidity in the markets in which the Fund operates.

## Custody risk and cyber security

The Fund is also exposed to operational risks such as custody risk and cyber security breaches. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the Custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the Custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired. The day-to-day management of these risks is carried out by the Manager under policies approved by the Board.

The risk represented by breaches in cyber security is carefully monitored by the Manager, Custodian and Administrator with appropriately designed and tested controls.

## Investment policy and process

Inappropriate investment policies and processes may result in under performance against the Fund's peer group. The Board manages these risks by ensuring a diversification of investments and regularly reviewing the portfolio asset allocation and investment process. In addition, certain investment restrictions have been set and these are monitored as appropriate.

## Investment strategy and share price movements

The objective of the Fund is to achieve long term capital growth and it is exposed to the effect of variations in the price of its investments. A fall in the value of its portfolio will have an adverse effect on shareholders' funds. The Board reviews the Fund's investment strategy and the risk of adverse share price movements at its Board meetings taking into account the economic climate, market conditions and other factors that may have an effect on the sectors in which the Fund invests. There can be no assurances that depreciation in the value of the Fund's investments will not occur but the Board seeks to reduce this risk.

## Discount to net asset value

A discount in the price at which the Fund's shares trade to net asset value would mean that shareholders would be unable to realise the true underlying value of their investment. As a means of controlling the discount to net asset value the Board has the ability to buy back shares. The Board reviews the Fund's discount to net asset value on a regular basis.

## Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Fund suffering a loss.

## Operational

Failure of the core accounting systems, or a disastrous disruption to the Administrator's or Manager's business, could lead to an inability to provide accurate reporting and monitoring.

## Loss of Key Personnel

The day-to-day management of the Fund has been delegated to the Manager. Loss of the Manager's key employees could affect investment returns. The Board is aware that GAM, LLP and GIM, LLP recognises the importance of its employees to the success of its business. Its remuneration policy is designed to be market competitive in order to motivate and retain staff and succession planning is regularly reviewed.

## Other Matters

### Viability Statement

In accordance with provision C.2.2. of the 2016 UK Corporate Governance Code, as issued by the Financial Reporting Council ('FRC') in April 2016, the Board has assessed the prospects of the Fund over the next three years. The Board considers that this period of time is appropriate to assess the viability of the Fund given the inherent uncertainty in the global emerging markets and the Fund's investment cycle. As part of its assessment, the Board has considered the Fund's business model including its investment objective and investment policy as well as the principal risks and uncertainties that may affect the Fund.

The Board has noted that:

- The Fund's investment objective is to achieve capital growth over the long term and the Board believes shareholders should regard the Fund as a long-term investment. The average holding period for companies in the Fund's portfolio is currently over five years, with turnover at around 35% over the last twelve months. These attributes reflect the Manager's long-term fundamental approach.
- The Fund's portfolio consists of a diversified group of companies from a large number of emerging market countries. The majority of these are traded on major international stock exchanges. In the opinion of the Manager, the portfolio is sufficiently liquid to meet all ongoing and future liabilities arising from the Fund's day-to-day business.
- No significant increases to ongoing charges or operational expenses are anticipated.
- A potential Tender Offer of 25% of the Fund's shares, to be implemented in 2021 if performance over the five years to June 2021 is not ahead of the Index.

The Board has therefore concluded that there is a reasonable expectation that the Fund will be able to continue in operation and meet its liabilities as they fall due over the next three years.

### Key Performance Indicators

At their Board meetings the Directors consider a number of performance indicators to help assess the Fund's success in achieving its objectives.

The key performance indicators used to measure the performance of the Fund over time are as follows:

- Net asset value changes over time;



- Participating Preference Share price movement;
- A comparison of Participating Preference Share price and net asset value against its peer group;
- Discount/premium to net asset value.

Information on some of the above key performance indicators and how the Fund has performed against them can be found on pages 4 and 5.

Details of the Directors of the Fund and their biographies are set out on pages 28 and 29.

The Fund's policy on board diversity is included in the Directors Report on page 41.

### **Environmental, Social and Governance Factors**

As a bottom-up investor, Genesis' investment approach lends itself naturally to the integration of ESG factors at the company level, as part of the ongoing qualitative judgement of a company's sustainable competitive advantage and persistent capacity to generate sustainable excess returns. Genesis believes the evaluation of ESG factors contributes to a broader and deeper understanding of the strategic direction of a company and allows for a more accurate assessment of the risks and future costs. Genesis pays particular attention to the quality of company management including their alignment of interests with minority investors.

The Genesis investment team assesses ESG factors, including climate-related risks and opportunities, in the context of materiality, mindful of the Sustainability Accounting Standards Board framework. Sector Specialists are responsible for assessing the materiality and relevance of ESG factors in their respective sectors and providing an ESG framework to the team. Each portfolio manager is individually responsible for the integration of the relevant ESG factors into their investment analysis of a company, before investing in a company and throughout the investment period.

Signed on behalf of the Board

**Hélène Ploix**

30<sup>th</sup> September 2019

# Portfolio Report



# Manager's Review

## Investment Environment

We believe that we can best deliver excellent long-term investment performance by working as a team to make investments in quality businesses at attractive prices. Our investment process is structured to enable a cohesive team of experienced Portfolio Managers to generate fundamental research insights and, subject to rigorous challenge, express those insights in client portfolios. Although the average holding period for positions in the Fund is long (in excess of five years), we have in the past been decisive when market conditions have presented compelling valuation opportunities. Volatility in the Fund's financial year – particularly in the fourth quarter of 2018 – was one such occasion. We capitalised on this environment to add several new positions in China which were previously not competitive relative to the wider portfolio. This reorientation of the portfolio has become one of the key drivers to performance in the second half of the Fund's financial year. In the current volatile market conditions, the Fund's NAV outperformed the MSCI EM (TR) Index over the 12-month period, gaining 9.0% in sterling terms (adjusted for dividends paid) compared to a rise of 5.4% for the index.

We want to take this opportunity to remind shareholders that while it is always pleasing to generate strong short-term relative performance, we remain focused on the long term. Our philosophy and process have not changed. Rather than focusing our efforts on short-term investment outcomes, which we cannot control, we focus our efforts on what we can: our investment process and the quality of our investment decisions. This allows us to maintain a disciplined, consistent investment approach despite inevitable fluctuations in performance.

## Performance

Our Chinese positions were the standout contributors to relative performance over the period, driven largely by the performance of three portfolio holdings: the baijiu producer Wuliangye Yibin (up 61% in GBP), insurer AIA (up 30%) and New Oriental Education (up 74%), which was introduced to the portfolio towards the end of 2018. Further value was added from our positions in Brazil, where investment bank BTG Pactual (up 204%) was one of several notable outperformers. In aggregate, the portfolio's Brazilian holdings rose 80% against a 45% gain by MSCI Brazil. Our exposure to private banks in India also bore fruit with HDFC Bank rising 22% and Axis Bank posting a 63% gain over the period. We also added value in South East Asia with the portfolio's overweight exposure in the strong Thai market joining stock performance gains in Indonesia, from Bank Central Asia (up 49%) and Semen Indonesia (up 41% since purchased in August last year).

Our investments in a number of Turkish companies resulted in an overweight exposure in a market that has lost credibility over the past twelve months and this was the biggest detractor from relative performance. The portfolio lost further value in South Africa, although this was due to the performance of the mostly non-domestic health care provider Mediclinic (down 41%); and two frontier markets in the portfolio, Nigeria and Vietnam, also underperformed. Despite a 20% gain by Sberbank, a top five portfolio holding, Russia was also a detractor as the large Russian energy SOEs in the benchmark, which we do not hold in the portfolio, had a strong period.

Substantial gains were generated in three sectors – financials, consumer and IT – all through stock performance. In financials, notable returns were derived from holdings located across a variety of markets. Joining those stocks noted above from China, India, Indonesia and Russia were BB Seguridade (up 53%) and Itau (up 59%) in Brazil, Commercial International Bank (up 21%) in Egypt and OTP (up 16%) in Hungary. It was a similar story in the consumer sectors where Universal Robina (Philippines), CP All (Thailand), Kimberly Clark (Mexico), Jeronimo Martins (Poland) and Heineken assisted the strong performing Chinese consumer names. Value was also added in IT from a combination of being underweight in both Taiwanese tech hardware and, for the first six months, Chinese internet, and also from the strong performance by the Brazilian software companies Linx (up 112%) and TOTVS (up 70%). However, these gains were partially offset from being underweight in the strong energy sector where several SOEs, which are generally not invested in for governance reasons, outperformed.

## Relative Performance Attribution in GBP – 12 Months to 30<sup>th</sup> June 2019

GEMF vs. MSCI EM (TR) Index

Top 10 Stock Contributors	%	Top 10 Stock Detractors	%
Wuliangye Yibin (China)	1.52	Mediclinic (South Africa)	(0.79)
BTG Pactual (Brazil)	0.90	Naver (South Korea)	(0.44)
New Oriental Education (China)	0.81	<i>Banco Bradesco (Brazil)</i>	<i>(0.41)</i>
AIA (China)	0.79	<i>Petrobras (Brazil)</i>	<i>(0.38)</i>
<i>Baidu (China)</i>	<i>0.72</i>	Sina (China)	(0.38)
Tencent (China)	0.64	<i>Tingyi (China)</i>	<i>(0.33)</i>
Sberbank (Russia)	0.59	<i>Gazprom (Russia)</i>	<i>(0.33)</i>
Axis Bank (India)	0.47	<i>Ping an Insurance (China)</i>	<i>(0.32)</i>
BB Seguridade (Brazil)	0.44	Cognizant (India)	(0.31)
BCA (Indonesia)	0.41	AAC (China)	(0.30)

Stocks in italics are not held in the portfolio but are part of the Index at period end

Sector	%	Top 5 Country Contributors	%	Top 5 Country Detractors	%
Financials	2.67	China	4.01	Turkey	(0.59)
IT	1.65	Brazil	1.22	South Africa	(0.53)
Consumer Discretionary	1.39	Thailand	0.43	Russia	(0.45)
Consumer Staples	0.64	Indonesia	0.36	Nigeria	(0.41)
Health Care	0.55	South Korea	0.33	Vietnam	(0.33)
Materials	0.44				
Real Estate	0.10				
Utilities	(0.19)				
Industrials	(0.20)				
Communication Services	(0.69)				
Energy	(1.04)				

Source: Calculated by FactSet

## Portfolio Activity

There was considerable activity in China during the period. Weakness in certain sectors around the end of 2018 and beginning of 2019 presented opportunities to introduce a number of new holdings including New Oriental Education, Momo, Focus Media and Sunny Optical. We initiated a position in Tencent at the end of a twelve-month review period: the portfolio's largest holding, Naspers, had outperformed Tencent by 15% in the first half of 2019 due to various factors, including the unbundling of its video entertainment business, MultiChoice, and the upcoming listing of its international internet assets in Amsterdam. The discount between the two narrowed and reached a level attractive enough to initiate a switch and hold Tencent directly. There were notable additions to three existing Chinese positions, internet companies Alibaba and 58.com and baijiu company Wuliangye, the latter as its share price fell during the second half of 2018 and early in 2019. There was also plenty of sales activity in China with seven holdings exiting the portfolio including China Overseas Land and Investment and Yum China. Some profits were also taken in Wuliangye in April as its share price rallied by over 100% from its lows seen just three months earlier.



Purchase activity elsewhere included increases in the Russian holdings Sberbank and Yandex, increases in Naver during weakness in the South Korean market, and initiation of three new positions: Amorepacific, Kangwon Land and SK Hynix. Elsewhere, opportunities to build a meaningful position in Gruma (Mexico) on share price weakness were taken and Semen Indonesia was reintroduced following a fall in the Indonesian cement price and a positive change in industry dynamics. We also added to Mediclinic in the final quarter of 2018.

In Brazil and India, a number of holdings were reduced following strong relative share price performance. In Brazil, the bank Itaú was trimmed following the Brazilian market rally around the time of Bolsonaro's convincing election victory in October, while GPA, Rumo and Ultrapar all exited the portfolio. In India, we trimmed the IT services company Infosys and banks Axis and Kotak Mahindra. Elsewhere, several other holdings from the financials sector were reduced including BCA (Indonesia) and Korean insurer Samsung Fire & Marine. Overall, there was net selling worth 6% of the portfolio in financials. We also trimmed the IT hardware giants TSMC (Taiwan) and Samsung Electronics (South Korea) and also Heineken and Central Pattana (Thailand). At the end of the period, there were 112 holdings in the portfolio, with 18 new positions and 33 positions exited.

### 30<sup>th</sup> Anniversary and Outlook

The end of the Fund's financial year marked the 30<sup>th</sup> anniversary for the Fund and our business. We believe that our longevity is down to four factors which we feel are difficult to replicate and sustain together: The first is our sophisticated and aligned institutional clients, including the shareholders of GEMF throughout the entire period. The second is our structure as an owner-managed single-strategy house, which allows us to focus. The third is our rigorous fundamental research process uniquely suited to our EM specialisation. And the fourth pillar is our diverse team of skilled and experienced professionals that, through collaboration, acts with greater wisdom than any of us could alone.

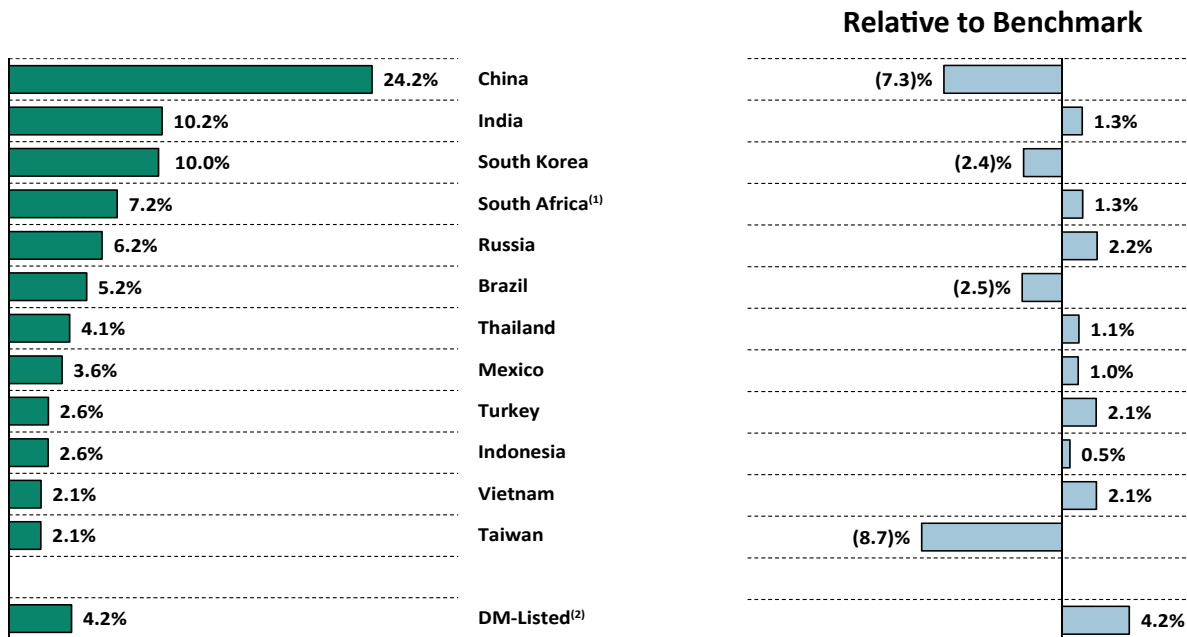
We have established a strong reputation and long-term relationships with corporate management teams across the EMs, a network of insightful expert contacts, and a database of notes and models built up over 30 years. We can see whether the companies have delivered against their stated strategies over long periods of time, which is particularly useful in assessing the reputation and alignment of controlling shareholders. We have worked hard to institutionalise the lessons from both our successes and failures. We observe that many investors end up relearning the same lessons by making the same mistakes as their predecessors, and we seek to use our experience to avoid these pitfalls.

We remain optimistic on the long-term outlook for the Fund for many of the reasons that were valid 30 years ago. One reason for this optimism stems from the four pillars of our success noted above. Additionally, we remain convinced of the investment opportunity in EMs: first, we expect continued growth from rising working age populations and continuing economic convergence with higher income countries; and second, EM equities are less efficiently priced versus their DM counterparts. Over the past 30 years, we have delivered almost 300 basis points of annual relative performance gross of fees. We have every intention of matching that in the coming years.

Genesis Investment Management, LLP  
September 2019

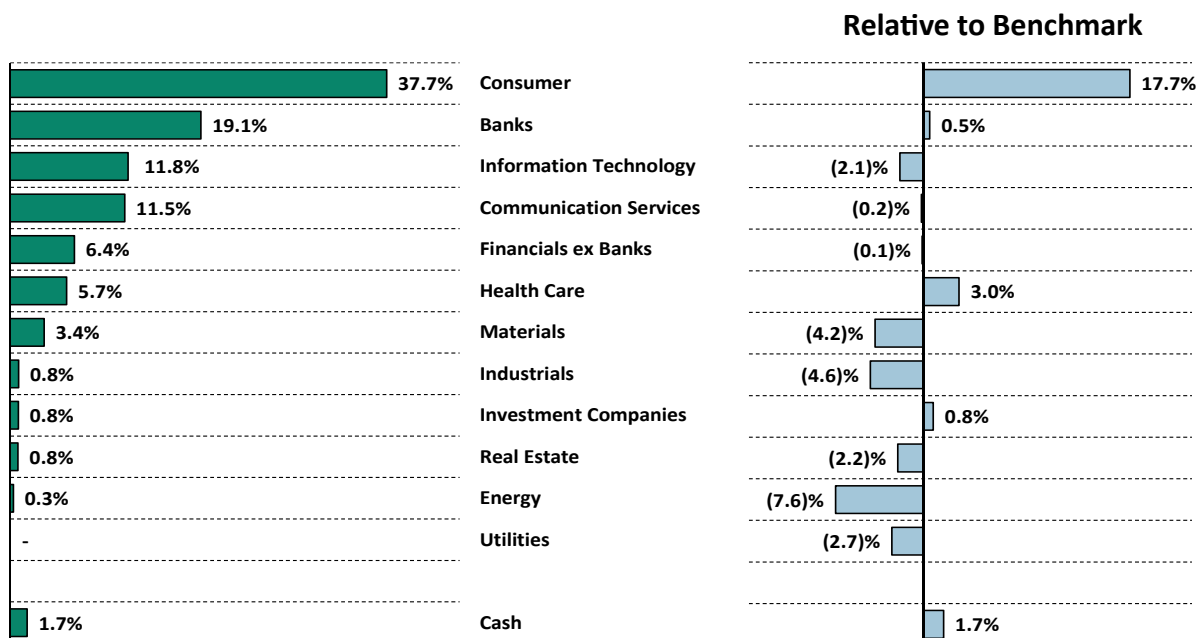
# Country and Sector Exposure of the Portfolio

as at 30<sup>th</sup> June 2019



<sup>(1)</sup> Includes Naspers (4.3% portfolio weight, 2.4% overweight relative to benchmark) despite the majority of its value being derived from Tencent (China)

<sup>(2)</sup> Companies listed on developed market stock exchanges with no distinct individual EM country exposure



Based on GEMF and MSCI EM (TR) Index

# Twenty Largest Holdings

as at 30<sup>th</sup> June 2019

**Naspers (South Africa) 4.31%**

*Consumer Discretionary*

A South African internet and entertainment group, with the majority of its value derived from the company's investment in Tencent, the leading Chinese internet service provider.

**Sberbank (Russia) 3.84%**

*Financials*

The largest bank in Russia, accounting for almost 30% of aggregate banking assets.

**AIA Group (China) 3.68%**

*Financials*

The company writes life insurance for individuals and businesses, accident and health insurance, retirement planning, and wealth management services.

**Alibaba Group (China) 3.56%**

*Consumer Discretionary*

The world's largest e-commerce company by gross merchandise volume, also operating a financial services business (including the largest online payments mechanism in China), and a cloud computing business.

**Samsung Electronics (South Korea) 3.37%**

*Information Technology*

A global leader in the IT hardware industry, producing handsets, semiconductors (mostly memory), LCD panels and a wide range of consumer electronics and digital appliances.

**58.com (China) 2.44%**

*Communication Services*

A classified advertisements website serving consumers and local merchants in China. It is the market leader in the property and blue collar jobs sectors and also generates revenue from advertisements for used cars and general services.

**Wuliangye Yibin (China) 2.35%**

*Consumer Staples*

A leading producer and seller of baijiu, the traditional Chinese fermented spirit. It has products across a range of price levels but its main product is the eponymous Wuliangye, a premium spirit made from five grains which accounts for 70% of revenue.

**New Oriental Education (China) 2.16%**

*Consumer Discretionary*

The largest provider of private educational services in China, encompassing pre-school education, general courses for students of various ages, online education, overseas study and textbook publishing.

**Taiwan Semiconductor Manufacturing Company (Taiwan) 2.15%***Information Technology*

The world's largest dedicated semiconductor foundry, manufacturing integrated circuits for computer, communications and consumer electronics applications.

**Vietnam Dairy Products (Vietnam) 1.81%***Consumer Staples*

Also known as Vinamilk, it is the dominant dairy company in Vietnam with 40% market share.

**Jiangsu Yanghe Brewery (China) 1.73%***Consumer Staples*

A Chinese spirits producer, focusing primarily on the mid-end range of the clear liquor known as baijiu.

**Housing Development Finance Corporation (India) 1.64%***Financials*

One of India's largest mortgage finance companies, it also has a presence in banking, life and general insurance, asset management, venture capital and real estate.

**Cognizant Technology Solutions (India) 1.63%***Information Technology*

A global provider of outsourced information technology services including custom software development, software maintenance and testing, third-party software implementation, technology consulting, tech infrastructure management and business process outsourcing.

**Naver (South Korea) 1.62%***Communication Services*

Owns the leading search engine in South Korea, which has 75% market share, and the dominant instant messenger in Japan, Taiwan and Thailand.

**Liberty Global LiLaC (United Kingdom) 1.52%***Communication Services*

A leading telecommunications company offering cable, business and mobile services in more than 20 countries, with operations in Chile, Puerto Rico, the Caribbean and other parts of Latin America.

**Bangkok Dusit Medical Services (Thailand) 1.51%***Health Care*

The largest private hospital operator in Thailand, and second largest in Asia, operating 46 hospitals serving patients from all income segments and geographical regions.

**Heineken (Netherlands) 1.44%***Consumer Staples*

A leading international brewer with emerging markets accounting for approximately 70% of earnings. It has significant market positions in Central & Eastern Europe, Mexico, Africa and Asia.



**Semen Indonesia (Indonesia)****1.40%***Materials*

The largest cement producer in Southeast Asia with plants on the islands of Java, Sumatra and Sulawesi which are supported by a distribution network across Indonesia.

**China Mengniu Dairy (China)****1.38%***Consumer Staples*

One of the leading dairy companies in China, providing a full suite of products including liquid milk, yoghurt, ice cream and infant formula.

**Mediclinic International (South Africa)****1.35%***Health Care*

Founded in 1983 in South Africa, it is a leading private hospital operator in South Africa, the United Arab Emirates and Switzerland, focusing on premium end, quality care.

# The Portfolio

as at 30<sup>th</sup> June 2019

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Argentina (2018 – 0.23%)</b>			
Loma Negra ADR	Materials	2,254	0.17
		<b>2,254</b>	<b>0.17</b>
<b>Brazil (2018 – 5.87%)</b>			
Banco BTG Pactual	Financials	12,774	0.98
BB Seguridade	Financials	11,881	0.91
Itaúsa – Investimentos Itaú (Preferred)	Financials	11,277	0.86
Linx	Information Technology	6,046	0.46
Lojas Americanas (Ordinary)	Consumer Discretionary	5,139	0.39
Notre Dame Intermedica	Health Care	4,058	0.31
OdontoPrev	Health Care	6,244	0.48
TOTVS	Information Technology	10,785	0.84
		<b>68,204</b>	<b>5.23</b>
<b>China (2018 – 18.66%)</b>			
3Sbio	Health Care	4,912	0.38
58.com ADR	Communication Services	31,831	2.44
AAC Technologies	Information Technology	6,003	0.46
AIA Group	Financials	48,096	3.68
Alibaba Group ADR	Consumer Discretionary	46,518	3.56
China Mengniu Dairy	Consumer Staples	18,055	1.38
Focus Media Information Technology 'A'	Information Technology	10,032	0.77
Fuyao Glass	Consumer Discretionary	4,257	0.33
Jiangsu Yanghe Brewery 'A'	Consumer Staples	22,541	1.73
Midea Group 'A'	Consumer Discretionary	1,713	0.13
Momo	Communication Services	12,617	0.97
Netease	Communication Services	12,475	0.96
New Oriental Education and Tech ADR	Consumer Discretionary	28,248	2.16
Sina Corp	Communication Services	8,810	0.67
Sunny Optical Technology Group	Information Technology	10,383	0.80
Tencent	Communication Services	7,605	0.58
Weibo Corp	Communication Services	1,233	0.09
WH Group	Consumer Staples	12,209	0.94
Wuliangye Yibin 'A'	Consumer Staples	30,746	2.35
		<b>318,284</b>	<b>24.38</b>

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Colombia (2018 – 1.11%)</b>			
Bancolombia	Financials	3,730	0.29
Bancolombia ADR	Financials	6,996	0.54
PriceSmart	Consumer Staples	3,968	0.30
		<b>14,694</b>	<b>1.13</b>
<b>Egypt (2018 – 0.69%)</b>			
Commercial International Bank	Financials	9,746	0.75
Commercial International Bank GDR	Financials	3,468	0.26
Edita Food Industries	Consumer Staples	2,628	0.20
		<b>15,842</b>	<b>1.21</b>
<b>Greece (2018 – 0.65%)</b>			
OPAP	Consumer Discretionary	13,988	1.07
		<b>13,988</b>	<b>1.07</b>
<b>Hungary (2018 – 0.95%)</b>			
OTP Bank	Financials	14,318	1.10
		<b>14,318</b>	<b>1.10</b>
<b>India (2018 – 12.05%)</b>			
Axis Bank	Financials	16,183	1.24
Cognizant Technology Solutions	Information Technology	21,318	1.63
Crompton Greaves Consumer Electricals	Consumer Discretionary	784	0.05
Godrej Consumer Products	Consumer Staples	7,877	0.60
HDFC Bank	Financials	16,788	1.29
Housing Development Finance Corporation	Financials	21,345	1.64
Infosys	Information Technology	4,594	0.35
Infosys ADR	Information Technology	1,167	0.09
Kotak Mahindra Bank	Financials	17,306	1.33
Pidilite Industries	Materials	9,643	0.74
Sun Pharmaceutical Industries	Health Care	11,951	0.92
Tata Consultancy Services	Information Technology	5,423	0.42
		<b>134,379</b>	<b>10.30</b>
<b>Indonesia (2018 – 1.70%)</b>			
Bank Central Asia	Financials	12,576	0.96
Indocement	Materials	3,585	0.28
Semen Indonesia	Materials	18,298	1.40
		<b>34,459</b>	<b>2.64</b>

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Jordan (2018 – 0.68%)</b>			
Hikma Pharmaceuticals	Health Care	8,500	0.65
		<b>8,500</b>	<b>0.65</b>
<b>Kenya (2018 – 0.50%)</b>			
Equity Bank	Financials	3,181	0.24
		<b>3,181</b>	<b>0.24</b>
<b>Luxembourg (2018 – 0.01%)</b>			
Genesis Smaller Companies SICAV <sup>(3)</sup>	Investment Companies	188	0.01
		<b>188</b>	<b>0.01</b>
<b>Malaysia (2018 – 0.11%)</b>			
7-Eleven Malaysia	Consumer Staples	1,192	0.09
Malaysia Airports	Industrials	3,577	0.28
		<b>4,769</b>	<b>0.37</b>
<b>Mauritius (2018 – 0.37%)</b>			
ECP Africa Fund II <sup>(1)(2)</sup>	Investment Companies	4,614	0.35
		<b>4,614</b>	<b>0.35</b>
<b>Mexico (2018 – 3.66%)</b>			
América Móvil ADR	Communication Services	5,141	0.39
Gruma	Consumer Staples	12,717	0.97
Grupo Financiero Banorte	Financials	3,485	0.27
Grupo Financiero Inbursa SAB de CV	Financials	4,929	0.38
Kimberly-Clark de Mexico	Consumer Staples	11,717	0.90
Megacable Holdings	Communication Services	7,402	0.56
Telesites	Communication Services	1,268	0.10
		<b>46,659</b>	<b>3.57</b>
<b>Morocco (2018 – 0.45%)</b>			
Attijariwafa Bank	Financials	5,684	0.44
		<b>5,684</b>	<b>0.44</b>
<b>Netherlands (2018 – 2.12%)</b>			
Heineken	Consumer Staples	14,396	1.10
Heineken Holding	Consumer Staples	4,453	0.34
		<b>18,849</b>	<b>1.44</b>

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Nigeria (2018 – 2.23%)</b>			
Dangote Cement	Materials	8,221	0.63
Guaranty Trust Bank	Financials	4,017	0.31
Guaranty Trust Bank GDR	Financials	2,503	0.19
Nestle Nigeria	Consumer Staples	2,811	0.22
Nigerian Breweries PLC	Consumer Staples	2,126	0.16
		<b>19,678</b>	<b>1.51</b>
<b>Peru (2018 – 1.09%)</b>			
Credicorp	Financials	9,856	0.76
		<b>9,856</b>	<b>0.76</b>
<b>Philippines (2018 – 0.98%)</b>			
Puregold Price Club	Consumer Staples	7,477	0.57
Universal Robina	Consumer Staples	12,377	0.95
		<b>19,854</b>	<b>1.52</b>
<b>Poland (2018 – 1.07%)</b>			
Jeronimo Martins	Consumer Staples	13,193	1.01
		<b>13,193</b>	<b>1.01</b>
<b>Romania (2018 – 0.99%)</b>			
Banca Transilvania	Financials	7,105	0.54
New Century Holdings Balkan <sup>(1)(2)</sup>	Investment Companies	6,030	0.47
		<b>13,135</b>	<b>1.01</b>
<b>Russia (2018 – 5.02%)</b>			
Alrosa	Materials	2,731	0.21
Magnit	Consumer Staples	12,077	0.93
Moscow Exchange	Financials	2,357	0.18
Sberbank	Financials	50,294	3.84
Yandex	Communication Services	14,296	1.10
		<b>81,755</b>	<b>6.26</b>
<b>Saudi Arabia (2018 – 0.55%)</b>			
Almarai HSBC P-Note (20/07/2020)	Consumer Staples	5,939	0.46
		<b>5,939</b>	<b>0.46</b>

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>South Africa (2018 – 9.07%)</b>			
Bid Corp	Consumer Staples	14,093	1.08
Mediclinic International	Health Care	17,718	1.35
MTN Group	Communication Services	6,969	0.54
Naspers	Consumer Discretionary	56,299	4.31
		<b>95,079</b>	<b>7.28</b>
<b>South Korea (2018 – 10.61%)</b>			
Amorepacific Corp	Consumer Staples	1,252	0.10
Amorepacific Group	Consumer Staples	5,481	0.42
E-MART	Consumer Staples	4,456	0.34
GS Retail	Consumer Staples	6,610	0.51
Hanon Systems	Consumer Discretionary	7,195	0.54
Hanssem	Consumer Discretionary	2,994	0.23
Kangwon Land	Consumer Discretionary	9,893	0.76
Naver	Communication Services	21,117	1.62
Samsung Electronics (Ordinary)	Information Technology	12,495	0.96
Samsung Electronics (Preferred)	Information Technology	31,424	2.41
Samsung Fire & Marine Insurance	Financials	8,828	0.68
Samsung Fire & Marine Insurance (Preferred)	Financials	417	0.03
Shinhan Financial Group	Financials	11,803	0.90
Sk Hynix	Information Technology	7,286	0.56
		<b>131,251</b>	<b>10.06</b>
<b>Switzerland (2018 – 0.95%)</b>			
Richemont	Consumer Discretionary	16,241	1.24
		<b>16,241</b>	<b>1.24</b>
<b>Taiwan (2018 – 3.12%)</b>			
Taiwan Semiconductor Manufacturing Company	Information Technology	28,010	2.15
		<b>28,010</b>	<b>2.15</b>
<b>Thailand (2018 – 4.18%)</b>			
Bangkok Dusit Medical Services	Health Care	19,641	1.51
Central Pattana	Real Estate	10,138	0.78
CP All	Consumer Staples	14,379	1.10
Thai Beverage	Consumer Staples	9,306	0.71
		<b>53,464</b>	<b>4.10</b>



	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Turkey (2018 – 3.46%)</b>			
Anadolu Efes Biracılık	Consumer Staples	8,228	0.63
Coca-Cola İçecek	Consumer Staples	4,185	0.32
MLP Sağlık Hizmetleri	Health Care	1,169	0.09
Şok Marketler Ticaret	Consumer Staples	3,928	0.30
Türkiye Garanti Bankası	Financials	14,067	1.08
Ülker Bisküvi Sanayi	Consumer Staples	3,059	0.23
		<b>34,636</b>	<b>2.65</b>
<b>United Arab Emirates (2018 – 0.23%)</b>			
ADNOC Distribution	Energy	4,175	0.32
DP World	Industrials	7,387	0.57
		<b>11,562</b>	<b>0.89</b>
<b>United Kingdom (2018 – 1.61%)</b>			
Liberty Global LiLaC 'A'	Communication Services	6,473	0.49
Liberty Global LiLaC 'C'	Communication Services	13,389	1.03
		<b>19,862</b>	<b>1.52</b>
<b>Vietnam (2018 – 2.54%)</b>			
Mekong Enterprise Fund II <sup>(1)(2)</sup>	Investment Companies	47	–
Mobile World Investment	Consumer Discretionary	4,579	0.35
Vietnam Dairy Products (Vinamilk)	Consumer Staples	23,585	1.81
		<b>28,211</b>	<b>2.16</b>
<b>Total Investments</b>		<b>1,290,592</b>	<b>98.88</b>
<b>Net Current Assets</b>		<b>14,668</b>	<b>1.12</b>
<b>TOTAL NET ASSETS</b>		<b>1,305,260</b>	<b>100.00</b>

<sup>(1)</sup> Unquoted securities, not traded on an official Stock Exchange or other Regulated Market.

<sup>(2)</sup> Investee Funds. The Fund's investments in non-affiliated investment companies.

<sup>(3)</sup> Treating Genesis Smaller Companies SICAV on a 'non-look-through' basis.

ADR American Depositary Receipt. A negotiable certificate issued by a U.S. bank representing a specific number of shares of a foreign stock traded on a U.S. stock exchange.

GDR Global Depositary Receipt. A negotiable certificate held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

# Governance Report



## Board of Directors

### Hélène Ploix *Appointed 2<sup>nd</sup> November 2012*

Chairman, Member of the Audit and Risk Committee, Chairman of the Nomination Committee



Hélène Ploix (French) is a Partner and former chairman of Paris-based private equity firm Pechel Industries. She has had an extensive career in finance and investment in the public and private sectors, both in France (primarily at the French state-owned Caisse des Dépôts et Consignations) and internationally (notably as an Executive Director at the IMF, World Bank and as a Member of the Investments Committee of the UN Joint Staff Pension Fund). She is currently a Non-Executive Director of Ferring (Switzerland) and SES-imagotag, Non-Executive Chairman of Sogama Crédit

Associatif and was previously at a number of other companies, including Sofina, The Boots Company PLC, BNP Paribas and Publicis. Mrs Ploix was educated at the Institut d'Etudes Politiques, the University of California at Berkeley and INSEAD. She is based in France.

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: 3/3, Nomination Committee: 3/3

### Sujit Banerji *Appointed 31<sup>st</sup> October 2013*

Director



Sujit Banerji (Indian) is an independent advisor on corporate strategy to a number of companies in the finance and finance-related technology sectors globally. In 2009 he completed a 33 year career at Citigroup where he had been a Managing Director since 1996, latterly serving as Head of Strategy and Institutional M&A for Europe, the Middle East and Africa ('MENA'). His career at Citi covered a number of regional roles including strategy and corporate finance, and relationships with multinational clients across the MENA region. He has also served as the country and region head for Citi in India, and as the head of the corporate business in Thailand. Over the course of his career he has been based in India, Bangladesh and Thailand as well as in Europe, and is currently based in Singapore. He was educated at the University of Poona (Pune) and the University of Bombay (Mumbai).

and region head for Citi in India, and as the head of the corporate business in Thailand. Over the course of his career he has been based in India, Bangladesh and Thailand as well as in Europe, and is currently based in Singapore. He was educated at the University of Poona (Pune) and the University of Bombay (Mumbai).

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: n/a, Nomination Committee: 3/3

### Russell Edey *Appointed 1<sup>st</sup> January 2015*

Director, Chairman of the Audit and Risk Committee, Senior Independent Director



Russell Edey (British) spent the majority of his career at NM Rothschild & Sons, where he held a number of positions over his 35 years at the bank, including Head of Corporate Finance and subsequently Non-Executive Deputy Chairman. He is a Non-Executive Director of Blackrock World Mining Trust plc. He previously spent 12 years as Chairman of AngloGold Ashanti in South Africa, and in recent years he has also served as a Non-Executive Director of Old Mutual plc, Associated British Ports plc, FKI plc, and Paris Orleans SA. He qualified as a Chartered Accountant and began his career in finance at Anglo American in South Africa. He is based in the UK.

a Chartered Accountant and began his career in finance at Anglo American in South Africa. He is based in the UK.

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: 3/3, Nomination Committee: 3/3

## Saffet Karpap *Appointed 1<sup>st</sup> October 2011*

Director, Member of the Audit and Risk Committee



Saffet Karpap (Swiss/Turkish) is a consultant on strategy to management teams of organisations based in Turkey. He is a Board member of Eczacıbaşı group, a Turkish conglomerate with businesses in construction materials, consumer goods, mining and medical services. Previously he worked for Procter & Gamble ('P&G') for 30 years in various financial and senior management roles across a number of emerging markets; prior to retiring from P&G in 2013 he was Vice President and General Manager of the Central and Eastern Europe and Middle East and Africa Division, responsible for Turkey, Central Asia, Israel and the Caucasian region. From 2013 to 2016 he was a member of the Board and the Executive Committee of Süttaş Dairy Company, and he has been an investor in agriculture in the Aegean region of Turkey since 2011. He studied Business Administration at Istanbul University and received an MBA from Lausanne University. He is based in Switzerland.

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: 3/3, Nomination Committee: 3/3

## Katherine Tsang *Appointed 19<sup>th</sup> July 2017*

Director



Katherine Tsang (Canadian) spent 22 years with Standard Chartered Bank, latterly in the role of Chairperson of Greater China, before retiring in 2014. Following her retirement, Katherine founded Max Giant Capital, an asset management group focusing on direct investments in the financial industry in Asia, particularly in China. Katherine is currently an independent Non-Executive Director on the Board of Gap Inc., and the Board of China CITIC Bank International Limited. She also serves as a member of the Advisory Council for China of the City of London, and is an honorary Board member of Shanghai Jiao Tong University. She has previously served as an independent Non-Executive Director of Baoshan Iron & Steel Co. Limited, a member of the World Economic Forum's Global Agenda Council on China, and a member of Sotheby's Advisory Board. She is based in Hong Kong.

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: n/a, Nomination Committee: 3/3

## Dr John Llewellyn *Appointed 30<sup>th</sup> October 2009, retired 21<sup>st</sup> June 2019*

Director



Dr John Llewellyn (British) is the founder of Llewellyn Consulting, a London-based consultancy specialising in macroeconomics and environmental economics. From 1995 to 2008 he was Global Chief Economist and then Senior Economic Policy Advisor at Lehman Brothers. Previously he spent seventeen years at the OECD in Paris, in charge of international economic forecasting and policy analysis and, latterly, as Head of the Secretary-General's Private Office (Chief of Staff). Prior to that, Dr Llewellyn spent ten years in academia (University of Cambridge).

**Meeting Attendance** Board: 3/3, Audit and Risk Committee: n/a, Nomination Committee: 3/3

# Directors' Report

The Directors are pleased to present their thirtieth Annual Financial Report of the Fund, covering the year ended 30<sup>th</sup> June 2019.

## Financial Performance

The results and reserve movements for the year are set out in the Statement of Financial Position and Statement of Comprehensive Income on pages 50 and 51 and the Notes to the Financial Statements on pages 54 to 73.

## Results and Dividends

The total profit for the year for the Fund amounted to \$47,931,000 compared to a total profit of \$113,177,000 in the previous year. Refer to the Manager's Review on pages 14 to 16 for an explanation of the Fund's performance.

The Directors propose a dividend of 19.0 US cents per Participating Preference Share in respect of the year ended 30<sup>th</sup> June 2019 (2018: 19.0 US cents). If approved by shareholders at the AGM on 4<sup>th</sup> November 2019, the dividend will be payable on 13<sup>th</sup> December 2019 to shareholders on the register at close of business on 15<sup>th</sup> November 2019.

## Capital Values

At 30<sup>th</sup> June 2019, the value of Equity Shareholders' Funds was \$1,305,260,000 (2018: \$1,408,466,000) a decrease of \$103,206,000. The Net Asset Value per Participating Preference Share was \$10.75 (2018: \$10.44).

During the year ended 30<sup>th</sup> June 2019, a tender offer for 10% of the Fund's shares was approved and 13,496,306 Participating Preference Shares were repurchased and cancelled. A total of \$128,058,000 of Equity was used to fund the buy back.

## Key Performance Indicators

The Highlights and Performance section on pages 4 and 5 show the Fund's Key Performance Indicators including its performance and discount to its NAV over the last five years.

## Shareholders

### Shareholder Relations

The Board recognises the need for good communications with its shareholders. The primary medium through which the Fund communicates with shareholders is the Annual and Half Year Financial Report and the monthly Fact Sheet, which are available via the Fund's website, [www.genesisemf.co.uk](http://www.genesisemf.co.uk). The Chairman of the Fund (and other Directors, periodically) is available for meetings with the Fund's major shareholders at their request, and all Members of the Board are available for shareholders' questions and significant matters arising. On behalf of the Board – and often with members of the Board in attendance – the Manager holds periodic meetings with the Fund's major shareholders to discuss aspects of the Fund's positioning, performance and outlook. In addition, all shareholders are invited to attend the Fund's annual Information Meeting. The Board monitors the trading in the Fund's shares and shareholder profile on a regular basis and maintains regular contact with the Fund's brokers to ascertain the views of the market. Sentiment is also ascertained by careful monitoring of the discount/premium that the shares trade on versus their NAV and the comparison with the Fund's peer group.

## Notifiable Interests in the Fund's Voting Rights

During the financial year, the following shareholders declared a notifiable interest in the Fund's voting rights:

Shareholder	Participating Preference Shares Held	% Shares in Issue	Date of Notification
City of London Investment Management	28,520,996	23.5	7 <sup>th</sup> March 2019

The following updates to notifiable interests in the Fund's voting rights have been declared post the financial year-end:

Shareholder	Participating Preference Shares Held	% Shares in Issue	Date of Notification
City of London Investment Management	33,700,860	27.7	21 <sup>st</sup> August 2019

As at 30th August 2019, the Board is also aware of the following significant shareholdings in the Fund:

Shareholder	Participating Preference Shares Held	% Shares in Issue
Strathclyde Pension Fund	26,992,040	22.2
Lazard Asset Management LLC Group	12,984,492	10.7
Wells Capital Management	10,877,474	9.0
1607 Capital Partners	4,220,051	3.5

## Website: [www.genesisemf.com](http://www.genesisemf.com)

The Annual Financial Report is published on the website, [www.genesisemf.com](http://www.genesisemf.com), which is maintained by GIM, LLP. The maintenance and integrity of the website is, so far as relates to the Fund, the responsibility of the Investment Adviser. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Annual Financial Report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Corporate Governance

The Board is accountable to shareholders for the governance of the Fund's affairs. The Directors use this Report to detail the Fund's corporate governance statement.

The Fund is a member of the Association of Investment Companies ('AIC') and the Board has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Fund. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide useful information to shareholders.



As a Guernsey incorporated company with a premium listing on the London Stock Exchange within the FTSE 250, the Fund is required to comply with Listing Rule 9.8.7 (for overseas incorporated companies). This requires the Fund to state how it has applied the main principles set out in the 2016 UK Corporate Governance Code and whether it has complied with these provisions throughout the accounting period.

The Fund is an Authorised Closed-Ended Investment Scheme regulated by the Guernsey Financial Services Commission ('GFSC'). The GFSC requires compliance with the principles set out in the Finance Sector Code of Corporate Governance ('Guernsey Code'), or alternative codes accepted by the GFSC, in the context of the nature, scale and complexity of the business.

The Board is committed to continuing compliance with the revised AIC Code issued in February 2019 and which is effective for the reporting period commencing 1<sup>st</sup> July 2019.

## Statement of Compliance

The Directors believe that during the year under review, they have complied with the provisions of the AIC Code and therefore, insofar as they apply to the Fund's business, with the provisions of the 2016 UK Corporate Governance Code and Guernsey Code except as noted below.

- The role of Chief Executive

Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Fund does not have a Chief Executive.

- Executive Directors' remuneration

As the Board has no Executive Directors, it is not required to comply with the principles of the 2016 UK Corporate Governance Code in respect of Executive Directors' remuneration and does not have a Remuneration Committee.

- Internal audit function

As the Fund delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to internal audit is needed and will continue to monitor the Fund's systems of internal controls in order to provide assurance that they operate as intended. In particular, the Directors review the processes and controls managed by relevant specialist staff at the Manager.

## Regulatory Disclosures

### The Alternative Investment Fund Managers Directive ('AIFMD')

The Manager is a limited liability partnership organised under the law of Delaware, USA and qualifies as a non-EU alternative investment fund manager ('non-EU AIFM'). Article 22 of AIFMD requires certain qualitative and quantitative disclosures on remuneration to assist the understanding of the risk profile of the Fund. Details of the Remuneration Policy of the Manager and amounts attributable to the Fund are available on page 74.

### UK Listing Authority Listing Rules ('LR') – compliance with rule 9.8.4

None of the disclosures required under LR 9.8.4 are applicable to the Fund.

### Annual General Meeting

This year's AGM will be held on 4<sup>th</sup> November 2019 at 10:30 a.m. at the offices of J.P. Morgan Administration Services (Guernsey) Limited, 1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade, St Peter Port, Guernsey GY1 6JB.

In addition to the ordinary business to be conducted at the meeting, the following resolution will be proposed.

### ***Resolution 12: Authority to purchase own shares (special resolution)***

Resolution 12 is seeking to renew authority to purchase through the London Stock Exchange Participating Preference Shares representing 14.99% of the issued share capital of the Fund. The decision as to whether the Fund purchases any such shares will be at the discretion of the Board. Purchases of Participating Preference Shares will be made within the guidelines permitted by the UK Listing Authority. Any Participating Preference Shares which are repurchased may be held in treasury.

If held in treasury, these shares may subsequently be cancelled or sold for cash at above their net asset value at the time of sale.

### ***Recommendation***

The Board considers that the passing of the resolutions being put to the Fund's AGM would be in the best interest of the Fund and its shareholders as a whole. It therefore recommends that shareholders vote in favour of resolutions 1 to 12, as set out in the Notice of Annual General Meeting.

## The Board

The Board, chaired by Hélène Ploix, consists of six non-executive Directors, all of whom are considered to be independent of the Manager. Ms Ploix was considered independent on appointment. The biographies of the Directors are shown on pages 28 and 29. The Board has consisted of no more than six Directors during the year and the Directors feel that given the fact that they do not have executive roles, it is not necessary to establish a separate Remuneration Committee. There is also no separate Management Engagement Committee as the Board, as a whole, regularly meet with the Manager, the Administrator and the Company Secretary to discuss their performance. Russell Edey is the Senior Independent Director. The Audit and Risk Committee and the Nomination Committee both have separate reports on pages 38 and 41 respectively.

The Board regularly reviews both the performance of, and the contractual arrangements with the Manager, and is satisfied that the continuing appointment of the Manager is in the best interests of shareholders. The management agreement sets out matters over which the Manager has authority and includes management of the Fund's assets and the provision of administrative duties. The agreement further permits the Manager to delegate its administrative duties, subject to the Board's prior consent. All other matters are reserved for the approval of the Board. Under this agreement, for the 2019 financial year, the Manager was entitled to receive a management fee from the Fund, payable monthly, equal to 0.95% per annum, calculated and accrued on the Net Asset Value of the Fund as at each Valuation Day. This fee was reduced to 0.90% per annum from 1<sup>st</sup> July 2019. The Manager's appointment is under a rolling contract which may be terminated by three months' written notice given by the Fund, and twelve months' written notice given by the Manager.

As noted on page 40, the Audit and Risk Committee reviews the performance of, and the contractual arrangements with the Administrator and the Custodian. The Board is satisfied that the continuing appointment of the Administrator and the Custodian is in the best interests of shareholders.

The Board meets at least three times during the year and between these meetings there is regular contact with the Manager who provides the Board with appropriate and timely information. Attendance at those meetings is given below each Director's biography on pages 28 and 29. Note that attendance at a Board or Committee meeting by proxy does not count as formal attendance (although it does count towards a quorum).

## Directors' Insurance and Indemnification

Directors' and Officers' liability insurance cover is held by the Fund to cover Directors against certain liabilities that may arise in the course of their duties.

## Company Secretary

JP Morgan Administration Services (Guernsey) Limited has been in office for the whole year under review.

## Other Matters

### Voting Policy

The Directors have given the Manager discretion to exercise the Fund's voting rights and the Manager, so far as is practicable, will exercise them in respect of resolutions proposed by investee companies.

The Manager aims to vote in the best interests of the Fund, and to vote on all shares in all markets. Proxy Voting Guidelines are maintained to outline the overall approach to voting and ensure that it is conducted in an appropriate manner. In evaluating specific voting issues, the Manager's team members may engage directly with company management and directors and may also contact interest groups, other shareholders and research providers. Where appropriate, and particularly where a vote against management is warranted, the Manager will contact the company to explain the decision-making process and promote best practice. In a case where securities are on loan ahead of a General Meeting or corporate action it is the Manager's policy to request that such securities be recalled to enable the shares to be voted.

The Manager has contracted with Institutional Shareholder Services, Inc. ('ISS'), an independent third-party provider of proxy voting and corporate governance services. ISS provides proxy research and recommendations, executes votes as instructed by the Manager, and keeps various records necessary for tracking proxy voting materials and proxy voting actions taken. ISS recommendations are one form of external research which is factored into the Manager's investment decision-making process. Each voting issue is analysed independently, however, and the Manager's votes are not necessarily in line either with company management or the ISS recommendations.

Further details on voting policy are disclosed on the Manager's website [www.giml.co.uk](http://www.giml.co.uk), where a proxy voting report for the Fund over the last five years is also available.

### Borrowing Facilities

The Articles of Incorporation permit the Fund to borrow up to 10% of the value of its Net Assets. No borrowing facility was used in either 2018 or 2019.

### Discount/Premium to Net Asset Value

The Board reviews the level of the discount or premium between the middle market price of the Fund's Participating Preference Shares and their net asset value on a regular basis.

### The UK's Exit from the European Union ('EU')

GEMF is a Guernsey based authorised closed-ended investment scheme listed in the UK and traded on the London Stock Exchange. As of 30<sup>th</sup> June 2019, the Fund has appointed GIM, LLP registered in England and Wales and regulated by the Financial Conduct Authority ('FCA') as investment manager.

There are no EU entities in this structure. The European Securities and Markets Authority ('ESMA') has approved the co-operation arrangements between the FCA and GFSC. As a result, Brexit (both "hard" or with a transition agreement) is perceived to pose limited impacts to the Fund.

## Going Concern

The Directors believe that the Fund has adequate resources to continue in operational existence for twelve months from the approval date of the Annual Financial Report. This is based on various factors including the Fund's forecast expenditure, its ability to meet its current liabilities, the highly liquid nature of its assets, its market price volatility and its closed-ended legal structure. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

Signed on behalf of the Board

**Hélène Ploix**

30<sup>th</sup> September 2019

## Directors' Remuneration Report

The Directors of the Fund are non-executive and by way of remuneration are entitled to receive fees for their services which shall not exceed \$400,000, exclusive of relevant expenses, in aggregate per annum. This was approved by shareholders at the AGM on 8<sup>th</sup> November 2016 and can only be amended by shareholder approval at a general meeting.

The level of Directors' Fees is independently assessed and was reviewed in June 2019 by Stephenson & Co. concurrently with the independent evaluation of the Board's performance. The assessment concluded that the level of Directors' Fees remained competitive, hence the fees for the 2020 financial year will remain the same. The Directors' fees are fixed and not linked to performance. The fees are shown in the table below and are deemed to accrue on a daily basis:

Position	Annual Fee
Director	£30,000
Chairman	additional £10,000
Chairman or Member of the Audit and Risk Committee	additional £5,000
Senior Independent Director	additional £2,500

The Directors are also entitled to be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Fund or in connection with the business of the Fund.

### Directors' Service Contracts

No Director has a contract of service with the Fund. Accordingly, the Directors are not entitled to any compensation in the event of termination of their appointment or loss of office, other than the payment of any outstanding fees. The Board does not consider it appropriate that Directors should be appointed for a specific term. All Directors are subject to re-election by shareholders annually and any new Director appointed would be subject to election by shareholders at the next AGM following their appointment.

### Directors' Emoluments for the Year (audited)

The fees paid to each Director for the years ended 30<sup>th</sup> June 2019 and 2018 are shown in the table below with any year-on-year differences being explained:

	30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018
Hélène Ploix	£45,000	£45,000
Sujit Banerji	£30,000	£30,000
Russell Edey	£37,500	£37,500
Saffet Karpat	£35,000	£35,000
Katherine Tsang <sup>(1)</sup>	£30,000	£28,521
John Llewellyn <sup>(2)</sup>	£29,260	£30,000
	<u>£206,760</u>	<u>£206,021</u>

<sup>(1)</sup> Assumed the role of Director on 19<sup>th</sup> July 2017

<sup>(2)</sup> Retired as Director on 21<sup>st</sup> June 2019

## Directors' Interests

The following Directors had a beneficial interest (including family interests) in the share capital of the Fund. The table shows the number of Participating Preference Shares held by each Director as at 30<sup>th</sup> June 2019 and 2018:

Director	30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018
Hélène Ploix	15,000	15,000
Sujit Banerji	10,000	10,000
Saffet Karpat	20,000	20,000

## AGM Resolution

An ordinary resolution to approve this Remuneration Report will be put to shareholders at the forthcoming AGM.

### Statement of voting at the last AGM

The following table sets out the votes received at the AGM of the shareholders of the Fund, held on 13<sup>th</sup> November 2018 in respect of the approval of the Directors' Remuneration Report.

Votes cast for		Votes cast against		Total votes cast	Number of votes withheld
Number	%	Number	%		
64,878,306	99.93	43,958	0.07	64,922,264	–

For and on behalf of the Board  
**Hélène Ploix**  
 30<sup>th</sup> September 2019



# Audit and Risk Committee's Report

The Board has an established Audit and Risk Committee which consists of Russell Edey, Saffet Karpat and Hélène Ploix. Russell Edey is Chairman of the Audit and Risk Committee.

The Chairman of the Board, Ms Ploix also serves as a member of the Audit and Risk Committee. With reference to the provision 8.2 of the AIC Code of Corporate Governance (February 2019) the Audit and Risk Committee notes that Ms Ploix was independent on appointment and considers Ms Ploix's appointment as a member to be appropriate having regard to her skills, experience and valued contributions which enhance the overall effectiveness of the Audit and Risk Committee. The Board consists of six directors who are widely dispersed geographically. It is therefore considered sensible for Ms Ploix, chairman of the Board, to be a member of the committee.

The Audit and Risk Committee has formally delegated duties and responsibilities with written Terms of Reference, which are available on the Fund's website.

The responsibilities of the Audit and Risk Committee are, inter alia:

- To monitor the integrity of the financial statements of the Fund, including its annual and half-yearly reports and any other formal announcement relating to its financial performance;
- To review the Fund's accounting policies and any significant financial reporting judgements;
- To monitor and review the adequacy and effectiveness of the internal financial control and risk management systems on which the Fund is reliant;
- To review and approve statements to be included in the Annual Financial Report concerning controls and risk management;
- To report to the Board that they have carried out a robust assessment of the principal risks facing the Fund;
- To provide advice to the Board on whether they consider the Annual Financial Report, taken as a whole, is fair, balanced and understandable;
- To make recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors;
- To monitor the independence and objectivity of external auditors; and
- To review the audit fees, terms of engagement and provision of non-audit services by the external auditor.

The Audit and Risk Committee usually meets three times a year to review the Annual and Half Year Financial Reports, audit timetable and other risk management and governance matters. It may meet more often if deemed necessary, or if required by the Fund's auditors.

## Significant accounting matters

During the review of the Fund's financial statements for the year ended 30<sup>th</sup> June 2019, the Audit and Risk Committee considered the following matters to be significant issues, both of which were satisfactorily addressed:

Issue considered	How the issue was addressed
<p><b>Valuation of the investment portfolio</b></p> <p><i>This is a key issue because investments represent 99% of the Fund's total net assets.</i></p>	<p>99.2% of the investment portfolio was valued using quoted prices or prices that were observable. The Administrator's weekly valuation of these securities was checked by the Manager to independent price sources. 0.8% of the investment portfolio was invested in other funds ('Investee Funds') which were valued using the most recently available valuation statements from their respective administrator, updated to include subsequent cashflows. The Manager's monthly Valuation Committee monitors the fair value of all securities and ensures the appropriateness and accuracy of the methodologies used and their effective implementation. The Manager regularly provides information to the Directors on any stale, unquoted and illiquid securities contained within the investment portfolio for their review and comment.</p>
<p><b>Loss of assets and custody risk</b></p> <p><i>This is a key issue because we need to carefully safeguard the Fund's assets.</i></p>	<p>All securities are held by an independent Custodian and the Manager reconciles the Custodian's investment portfolio records on a weekly basis. The Manager monitors the Custodian's service levels throughout the year with formal performance reviews conducted bi-annually. The latest review was in September 2019.</p>

## Auditor independence and assessment

The Audit and Risk Committee monitors the European and U.K. legislation regarding mandatory audit firm rotation and tendering to ensure compliance and an external tender was conducted during 2017. Following a robust evaluation of the responses to and presentations involved in the audit tender process, KPMG Channel Islands Limited ('KPMG') was engaged by the Board to act as the Fund's auditor from the 2018 financial year.

As part of its review of the continuing appointment of the Auditors, the Audit and Risk Committee considered the independence of the Auditor along with the effectiveness of the audit. The Auditors were asked to attest that KPMG and the audit team members were independent of the Fund. KPMG also confirmed that they had not been engaged in the provision of any non-audit services to the Fund during the year. Audit effectiveness was assessed by means of the Auditors' direct engagement with the Board at Audit and Risk Committee meetings and also by reference to feedback from the Manager. The Audit and Risk Committee reviewed the Auditor's risk assessment and audit approach at the planning stage and were briefed on the fulfilment of that plan at the completion stage. The Board concluded, on the recommendation of the Audit and Risk Committee, that the Auditors continue to be independent of the Fund.

The fees paid to KPMG in respect of audit services for the year ended 30<sup>th</sup> June 2019 were \$48,000 (2018: \$52,000). KPMG did not provide any non-audit services during the year (2018: None).

## Internal Controls

The Board is responsible for the Fund's system of internal control and for reviewing its effectiveness.

As there is delegation of daily operational activity, described below, there is no requirement for a direct internal audit function. The internal control systems are designed to meet the Fund's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The services provided to the Fund by the Administrator, such as administration services, accounting services and company secretarial duties reflect the system of financial and operating controls operating at the Administrator. The control regime for other services, such as the Manager, Investment Adviser, Custodian and Registrar, reflect the internal controls operated by these respective service providers.

The Administrator provides semi-annual and annual financial statements based on the requirements of the Fund. The financial statements are based on data from the Administrator's accounting system including the trial balance, net asset valuation, purchase and sales report and other investment schedules. All statements are reconciled and reviewed by the Administrator using pre-defined checklists and reviewed by the Manager prior to distribution.

In order for the Directors to review their effectiveness for the Fund's business, an annual review of all outsourced functions has taken place. Their performance was monitored against obligations specified in the relevant contracts and was found to be in order.

Service providers report annually on the design and effectiveness of internal controls operating over the functions provided. Reports are reviewed by the Audit and Risk Committee and any material findings are considered by the Board of Directors as a whole.

The Audit and Risk Committee has carried out its annual assessment of the internal controls of the Fund's service providers for the year ended 30<sup>th</sup> June 2019 and considered the internal control procedures to be adequate based on the findings of their respective ISAE 3402 or SOC 1 reports.

For and on behalf of the Audit and Risk Committee

**Russell Edey**

Chairman of the Audit and Risk Committee

30<sup>th</sup> September 2019

# Nomination Committee's Report

The Board has established a Nomination Committee which consists of all Directors. Hélène Ploix is Chairman of the Nomination Committee.

The Nomination Committee has formally delegated duties and responsibilities with written Terms of Reference, which are available on the Fund's website.

## Diversity

It is seen as a prerequisite that each member of the Board must have the skills, experience and character that will enable them to contribute to the effectiveness of the Board and the success of the Fund. Subject to that overriding principle, diversity of experience and approach, including gender diversity, amongst Board members is of great value, and it is the Board's policy to give careful consideration to overall Board balance and diversity in making new appointments to the Board.

The Board currently comprises four male directors and two female directors.

## Board appointments and re-election

All members of the Nomination Committee consider new Board appointments. The Chairman, Manager or other appropriate persons provide new appointees to the Board with a preliminary briefing on the workings of the Fund. When appointing a new Director, the Board takes care to ensure that the new Director enhances the balance of skills, diversity and experience appropriate to the requirements of the Fund and that a new Director has enough time available to properly fulfil their duties. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the Fund's expense. Directors are initially appointed until the following Annual General Meeting when, under the Fund's Articles of Incorporation, it is required that they be elected by shareholders.

In accordance with the AIC Code, having served as a Director of the Fund for nine years, Dr Llewellyn was no longer deemed to be independent and retired as a Director with effect from 21<sup>st</sup> June 2019.

In advance of Dr Llewellyn's retirement, the Nomination Committee engaged Stephenson & Co. to identify potential candidates to fill the vacancy. A sub-committee comprising the Chairman and Mr Edey had considered the résumés of seven candidates and after review proceeded to interview four candidates.

As part of the selection process, the sub-committee focussed on candidates who were well versed in the marketing of investment trusts and could assist in diversifying the shareholder base of the Fund.

Following the initial interview process, the sub-committee identified and recommended Dr Simon Colson as a potential replacement for Dr Llewellyn. Further to the recommendation from the sub-committee, Dr Colson was then interviewed by the remaining members of the Committee (with the exception of Dr Llewellyn).

Dr Colson was duly appointed as an independent Non-Executive Director of the Fund with effect from 1<sup>st</sup> July 2019, and will be subject to election by shareholders at the forthcoming AGM.

All the Directors (with the exception of Dr Colson) are retiring in accordance with the AIC Code and will offer themselves for re-election. As each Director has maintained their effectiveness and commitment to the Fund, the Board endorses them and commends their re-election to the shareholders.

## Dr Simon Colson

Dr Simon Colson (British) has over 30 years' experience in financial markets, working in investment banking, investment management and financial consulting. From 1995-2001 he was a Managing Director at Deutsche Bank AG London, in charge of closed-end fund origination and distribution, and in previous roles was responsible for the launch, restructuring and repurposing of a significant number of investment companies. From 2002-2005 he was a non-executive director of The Association of Investment Companies. In 2002 Simon started his own FCA regulated consulting and distribution business which raised assets for emerging managers across a range of traditional and alternative asset classes (including closed-end funds) over 15 years. In 2017 he relinquished his FCA licence to concentrate on unregulated advisory and non-executive work. Simon is currently a non-executive director of the Children's Liver Disease Foundation. He is a qualified medical doctor and holds an MBA in Finance & Investment from Cass Business School (University of London).

## Tenure and Succession Planning

The policy on Board refreshment is to ensure continuity and stability with no more than one Board member retiring and one successor recruited in each calendar year. In line with the AIC Code of Corporate Governance's guidelines for independent Directors, individuals will generally serve on the Board for no more than nine years, although the Chairman's term of office may be extended by a maximum of three additional years to a total of twelve years. In recruiting new Directors, the aim will always be to preserve or enhance the skill sets on the Board, taking account of the need to ensure age, gender and ethnic diversity.

## Evaluation of the Board

The Board evaluates its performance on an annual basis and considers the balance of skills, experience, length of service and the promotion of diversity and inclusion as part of this process. In accordance with the AIC Code, consideration is given to the engagement of an external evaluator on a regular basis. An independent evaluation of the Board's performance was conducted in June 2019 by Stephenson & Co. It is proposed that the next independent evaluation will be conducted in 2022. The findings of the review were considered by the Directors and actions, where appropriate, have been taken.

**Hélène Ploix**

Chairman of the Nomination Committee

30<sup>th</sup> September 2019

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

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

The Directors who hold office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Fund's auditor is unaware, and that each Director has taken all the steps he ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.



## Responsibility statement of the Directors in respect of the Annual Financial Report

The Directors confirm that to the best of their knowledge that:

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

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

For and on behalf of the Board

**Hélène Ploix**

30<sup>th</sup> September 2019

# Financial Statements



# Independent Auditor's Report

*to the Members of Genesis Emerging Markets Fund Limited*

## Our opinion is unmodified

We have audited the financial statements (the 'Financial Statements') of Genesis Emerging Markets Fund Limited (the 'Company'), which comprise the statement of financial position as at 30<sup>th</sup> June 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 50 to 73.

### In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30<sup>th</sup> June 2019, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'); and
- comply with the Companies (Guernsey) Law, 2008.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Key Audit Matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2018):

### Financial assets at fair value through profit or loss

*\$1,290,592,000; (2018: \$1,383,056,000)*

*Refer to page 39 of the Audit and Risk Committee's Report, note 2(b) of the accounting policies, note 3 and note 10 disclosures*

The risk	Our response
<p><b>Basis:</b></p> <p>The Company's investment portfolio consists primarily of listed securities from emerging markets ("Investments"). These Investments, carried at fair value, are valued by the Company based on prices obtained from third party pricing providers.</p> <p><b>Risk:</b></p> <p>The valuation of the Company's Investments, given that it represents the majority of the Company's net assets, is a significant area of our audit. Of the Company's total Investments, the holdings in listed investments represent \$1,279.7m.</p>	<p><b>Our audit procedures included:</b></p> <p><b>Internal Controls:</b></p> <p>We evaluated the design, implementation and operational effectiveness of the key controls over the valuation of the Investments.</p> <p><b>Use of KPMG Specialists:</b></p> <p>We used our own valuation specialist to independently price Investments with a value of \$1,279.7m to a third party pricing source and evaluated the level of trading activity for those Investments.</p> <p><b>Assessing disclosures:</b></p> <p>We also considered the Company's disclosures (see note 3) in relation to the use of estimates and judgments regarding the valuation of Investments and the Company's investment valuation policies adopted in note 2(b) and fair value disclosures in note 10 for compliance with IFRS.</p>

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

Materiality for the Financial Statements as a whole was set at \$22.1m (2018: \$28.2m), determined with reference to a benchmark of Net Assets of \$1,305.3m (2018: \$1,408.3m), of which it represents 1.7% (2018: 2.0%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$1.1m (2018: \$1.4m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

## We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2(a) to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in this respect.

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

The directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

## Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement (page 11) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated; and
- the directors' explanation in the Viability Statement (page 11) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

## We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 43, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

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

## The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Steven Stormonth

**For and on behalf of KPMG Channel Islands Limited**

*Chartered Accountants and Recognised Auditors, Guernsey*

30<sup>th</sup> September 2019

# Statement of Financial Position

as at 30<sup>th</sup> June 2019

Note		2019 \$'000	2018 \$'000
	<b>ASSETS</b>		
	<b>Current Assets</b>		
2(b), 10(a)	Financial assets at fair value through profit or loss	1,290,592	1,383,056
2(g)	Amounts due from brokers	2,079	2,375
2(d)	Dividends receivable	2,512	4,287
	Other receivables and prepayments	193	204
2(f)	Cash and cash equivalents	19,487	25,260
	<b>TOTAL ASSETS</b>	<b>1,314,863</b>	<b>1,415,182</b>
	<b>LIABILITIES</b>		
	<b>Current Liabilities</b>		
2(g)	Amounts due to brokers	1,938	3,649
2(j)	Capital gains tax payable	6,140	1,239
7	Payables and accrued expenses	1,525	1,828
	<b>TOTAL LIABILITIES</b>	<b>9,603</b>	<b>6,716</b>
	<b>TOTAL NET ASSETS</b>	<b>1,305,260</b>	<b>1,408,466</b>
	<b>EQUITY</b>		
4	Share premium†	6,291	134,349
6	Capital reserve	1,242,603	1,217,468
	Revenue account	56,366	56,649
	<b>TOTAL EQUITY</b>	<b>1,305,260</b>	<b>1,408,466</b>
	<b>NET ASSET VALUE PER PARTICIPATING PREFERENCE SHARE*</b>	<b>\$10.75</b>	<b>\$10.44</b>

\* Calculated on a closing number of 121,466,754 Participating Preference Shares outstanding (2018: 134,963,060).

† The decrease in Share premium is due to the repurchase and cancellation of the Fund's own shares (see Statement of Changes in Equity on page 52).

Signed on behalf of the Board of  
Genesis Emerging Markets Fund Limited  
Hélène Ploix  
Russell Edey  
30<sup>th</sup> September 2019

The notes on pages 54 to 73 form part of these financial statements



# Statement of Comprehensive Income

for the year ended 30<sup>th</sup> June 2019

Note		2019			2018		
		Capital Reserve \$'000	Revenue Account \$'000	Total \$'000	Capital Reserve \$'000	Revenue Account \$'000	Total \$'000
	<b>INCOME</b>						
2(b), 10(b)	Net change in financial assets at fair value through profit or loss	40,985	–	40,985	97,475	–	97,475
2(c)	Net exchange gains	171	–	171	561	–	561
2(d)	Dividend income	–	30,562	30,562	–	36,468	36,468
2(d)	Interest income	–	467	467	–	226	226
2(n)	Securities lending income	–	230	230	–	618	618
	<b>TOTAL INCOME</b>	<b>41,156</b>	<b>31,259</b>	<b>72,415</b>	<b>98,036</b>	<b>37,312</b>	<b>135,348</b>
	<b>EXPENSES</b>						
2(i), 9(a)	Management fees	(9,320)	(2,330)	(11,650)	(11,088)	(2,795)	(13,883)
9(c)	Custodian fees	–	(984)	(984)	–	(1,215)	(1,215)
12	Transaction costs	(1,814)	–	(1,814)	(1,726)	–	(1,726)
9(e)	Directors' fees and expenses	–	(379)	(379)	–	(366)	(366)
9(b)	Administration fees	–	(284)	(284)	–	(318)	(318)
	Audit fees	–	(48)	(48)	–	(52)	(52)
	Legal and professional fees	–	(789)	(789)	–	(77)	(77)
	Other expenses	–	(196)	(196)	–	(203)	(203)
	<b>TOTAL OPERATING EXPENSES</b>	<b>(11,134)</b>	<b>(5,010)</b>	<b>(16,144)</b>	<b>(12,814)</b>	<b>(5,026)</b>	<b>(17,840)</b>
	<b>OPERATING PROFIT</b>	<b>30,022</b>	<b>26,249</b>	<b>56,271</b>	<b>85,222</b>	<b>32,286</b>	<b>117,508</b>
	<b>FINANCE COSTS</b>						
	Bank charges	–	(14)	(14)	–	(19)	(19)
	<b>TOTAL FINANCE COSTS</b>	<b>–</b>	<b>(14)</b>	<b>(14)</b>	<b>–</b>	<b>(19)</b>	<b>(19)</b>
	<b>TAXATION</b>						
2(j),8	Capital gains tax	(4,887)	–	(4,887)	(202)	–	(202)
2(j),8	Withholding taxes	–	(3,439)	(3,439)	–	(4,110)	(4,110)
	<b>TOTAL TAXATION</b>	<b>(4,887)</b>	<b>(3,439)</b>	<b>(8,326)</b>	<b>(202)</b>	<b>(4,110)</b>	<b>(4,312)</b>
	<b>PROFIT AFTER TAX FOR THE YEAR ATTRIBUTABLE TO PARTICIPATING PREFERENCE SHARES</b>	<b>25,135</b>	<b>22,796</b>	<b>47,931</b>	<b>85,020</b>	<b>28,157</b>	<b>113,177</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>25,135</b>	<b>22,796</b>	<b>47,931</b>	<b>85,020</b>	<b>28,157</b>	<b>113,177</b>
5	<b>EARNINGS PER PARTICIPATING PREFERENCE SHARE (BASIC AND DILUTED)*</b>	<b>\$0.20</b>	<b>\$0.19</b>	<b>\$0.39</b>	<b>\$0.63</b>	<b>\$0.21</b>	<b>\$0.84</b>

\* Calculated on an average number of 123,204,635 Participating Preference Shares outstanding (2018: 134,963,060).

The total column of this statement represents the Fund's Statement of Profit or Loss and Other Comprehensive Income prepared in accordance with IFRS. The supplementary information on the allocation between the revenue account and capital reserve is presented under guidance published by the AIC.

The notes on pages 54 to 73 form part of these financial statements

# Statement of Changes in Equity

for the year ended 30<sup>th</sup> June 2019

Note		2019			
		Share Premium \$'000	Capital Reserve \$'000	Revenue Account \$'000	Total \$'000
	Balance at the beginning of the year	134,349	1,217,468	56,649	1,408,466
4	Repurchase and cancellation of the Fund's own shares	(128,058)	-	-	(128,058)
	Total Comprehensive Income	-	25,135	22,796	47,931
11	Dividends paid in the year	-	-	(23,079)	(23,079)
	Balance at the end of the year	6,291	1,242,603	56,366	1,305,260

		2018			
		Share Premium \$'000	Capital Reserve \$'000	Revenue Account \$'000	Total \$'000
	Balance at the beginning of the year	134,349	1,132,448	47,387	1,314,184
	Total Comprehensive Income	-	85,020	28,157	113,177
11	Dividends paid in the year	-	-	(18,895)	(18,895)
	Balance at the end of the year	134,349	1,217,468	56,649	1,408,466

The notes on pages 54 to 73 form part of these financial statements

# Statement of Cash Flows

for the year ended 30<sup>th</sup> June 2019

	2019 \$'000	2018 \$'000
<b>OPERATING ACTIVITIES</b>		
Dividends and interest received	32,804	34,490
Securities lending income received	230	830
Taxation paid	(3,425)	(4,111)
Purchase of investments	(459,382)	(495,885)
Proceeds from sale of investments	591,416	491,329
Bank charges paid	(14)	(19)
Operating expenses paid	(16,436)	(18,099)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>145,193</b>	<b>8,535</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(23,079)	(18,895)
Repurchase and cancellation of the Fund's own shares	(128,058)	-
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(151,137)</b>	<b>(18,895)</b>
Effect of exchange gains on cash and cash equivalents	171	561
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,773)</b>	<b>(9,799)</b>
Net cash and cash equivalents at the beginning of the year	25,260	35,059
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>19,487</b>	<b>25,260</b>
Comprising:		
Cash and cash equivalents	19,487	25,260

The notes on pages 54 to 73 form part of these financial statements

# Notes to the Financial Statements

*for the year ended 30<sup>th</sup> June 2019*

## 1. General

Genesis Emerging Markets Fund Limited (the 'Fund') was incorporated in Guernsey on 7<sup>th</sup> June 1989 and commenced activities on 19<sup>th</sup> September 1989. The Fund is an Authorised Closed-Ended Investment Scheme as defined by the Authorised Closed-Ended Investment Schemes Rules (2008) (and, as such, is subject to ongoing supervision by the Guernsey Financial Services Commission). The Fund is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

The Fund's registered office is 1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade, St. Peter Port, Guernsey, GY1 6JB, Channel Islands.

These Financial Statements were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> September 2019.

## 2. Summary of Significant Accounting Policies

### **(a) Basis of Preparation**

The principal accounting policies applied in the preparation of these financial statements on a going concern basis are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and interpretations by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS may require management to make critical accounting judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from the estimates.

Valuations use observable data to the extent practicable. Changes in any assumptions could affect the reported fair value of the financial instruments. The determination of what constitutes observable requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

### *New standards, amendments and interpretations effective from or after 1<sup>st</sup> July 2018*

The following standard amendment has been issued and is expected to be relevant to the Fund with effective dates on or after 1<sup>st</sup> July 2018:

- Amendments to IFRS 9, Prepayment Features with Negative Compensation (effective for periods beginning on or after 1<sup>st</sup> January 2019)

### *New standards, amendments and interpretations issued but not yet effective*

The following standard has been issued and is expected to be relevant to the Fund in future periods, with effective dates on or after 1<sup>st</sup> July 2019:

- IFRS 16 – Leases (effective for annual periods beginning on or after 1<sup>st</sup> January 2019).

The Directors are currently reviewing these standards, however they do not believe their adoption will have a significant impact on the financial statements.

### *Early adoption of standards*

The Fund did not early adopt any new or amended standards/interpretations for the year ended 30<sup>th</sup> June 2019.

## **(b) Financial Instruments**

### *Classification*

The Fund made the irrevocable decision to designate all of its investments as at fair value through profit or loss on initial recognition. This category includes financial assets that are not held for trading purposes and which may be sold. These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The investments of the Fund are principally in listed equities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category cash and cash equivalents, due from brokers and other short term receivables.

Other financial liabilities include bank overdraft, due to brokers and other short term liabilities.

### *Recognition/derecognition*

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Regular-way purchases and sales of investments are recognised on their trade date, the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

### *Measurement*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value being the transaction price. Transaction costs incurred to acquire financial assets at fair value through profit or loss are expensed in the Statement of Comprehensive Income. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the year in which they arise.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

#### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Securities listed on active markets are valued based on their last traded price for valuation and financial statement purposes. Positions held in the affiliated investment company, Genesis Smaller Companies SICAV (open-ended and listed but not traded), are valued at their fair value at the reporting end date.

In the normal course of business, the Fund utilises Participatory notes ('P Notes') to gain access to markets that otherwise would not be allowable as a foreign investor. P Notes are issued by banks or broker-dealers and allow the Fund to gain exposure to local shares in foreign markets. They are valued based on the last price of the underlying equity at the valuation date.

The Fund's investment in other funds ('Investee Funds') are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are primarily valued based on the latest available redemption price for such units in each Investee Fund, as determined by the Investee Funds' administrators. The Fund reviews the details of the reported information obtained for the Investee Funds and considers the liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of the Investee Funds accounting. If necessary, the Fund makes adjustments to the net asset value of the Investee Funds to obtain the best estimate of fair value.

The Fund may make adjustments to the value of a security if it has been materially affected by events occurring before the Fund's NAV calculation but after the close of the primary markets on which the security is traded. The Fund may also make adjustment to the value of its investments if reliable market quotations are unavailable due to infrequent trading or if trading in a particular security was halted during the day and did not resume prior to the Fund's NAV calculation.

#### *Amortised cost measurement*

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation of these liabilities.

### **(c) Foreign Currency Translation**

#### *Functional and Presentation Currency*

The books and records of the Fund are maintained in the currency of the primary economic environment in which it operates (its functional currency). The Directors have considered the primary economic environment of the Fund and considered the currency in which the original capital was raised, past distributions have been made and ultimately the currency in which capital would be returned on a break up basis. The Directors have also considered the currency to which underlying investments are exposed.

On balance, the Directors believe that US dollars best represent the functional currency of the Fund. The financial statements, results and financial position of the Fund are also expressed in US dollars which is the presentation currency of the Fund and have been rounded to the nearest thousand unless otherwise stated.

### *Transactions and Balances*

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at rates prevailing at the end of the reporting period. Gains and losses arising on translation are included in the Statement of Comprehensive Income for the year. Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Net exchange gains or losses'. Foreign exchange gains and losses relating to financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Net change in financial assets at fair value through profit or loss'.

#### ***(d) Recognition of Dividend and Interest Income***

Dividends arising on the Fund's investments are accounted for on an ex-dividend basis, gross of applicable withholding taxes. Deposit interest and interest on short-term paper is accrued on a day-to-day basis using the effective interest method. Dividends and interest income are recognised in the Statement of Comprehensive Income.

#### ***(e) Dividend Distribution***

Dividend distributions are at the discretion of the Board of Directors. A dividend is recognised as a liability in the period in which it is approved at the Annual General Meeting of the shareholders and is recognised in the Statement of Changes in Equity.

#### ***(f) Cash and Cash Equivalents***

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank overdrafts are accounted for as short term liabilities on the Statement of Financial Position and the interest expense is recorded using the effective interest rate method. Bank overdrafts are classified as other financial liabilities.

#### ***(g) Due To and Due From Brokers***

Amounts due to brokers are payables for securities purchased that have been contracted for but not yet delivered on the statement of financial position date. Amounts due from brokers include receivables for securities sold that have been contracted for but not yet delivered on the Statement of Financial Position date.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

#### ***(h) Segment Reporting***

Operating Segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker ('CODM'). The CODM, who is responsible for allocation of resources and assisting performance of the operating segments, has been identified as the Directors of the Fund, as the Directors are ultimately responsible for investment decisions.



***(i) Expenses***

All expenses are accounted for on an accruals basis and are charged to the Statement of Comprehensive Income. Expenses are allocated wholly to revenue with the following exceptions:

- Management fees are allocated 20% to revenue and 80% to the capital, in line with the Board's expected long-term split of revenue and capital return from the Fund's investment portfolio.
- Expenses which are incidental to the purchase or sale of an investment are charged to capital.

***(j) Taxation***

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains taxes upon realisation of its investments. Such income or gains are recorded gross of withholding taxes and capital gains taxes in the Statement of Comprehensive Income. Withholding taxes and capital gains taxes are shown as separate items in the Statement of Comprehensive Income.

In accordance with IAS 12, 'Income taxes', the Fund is required to recognise a tax liability when it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Fund's capital gains sourced from such foreign country, assuming the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities, using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting period. There is sometimes uncertainty about the way enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Fund. Therefore, when measuring any uncertain tax liabilities, management considers all of the relevant facts and circumstances available at the time that could influence the likelihood of payment, including any formal or informal practices of the relevant tax authorities.

***(k) Share Capital***

Participating Preference Shares have no fixed redemption date and do not automatically participate in the net income of the Fund but are entitled to receive dividends. They are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds net of tax.

***(l) Purchase of Own Shares***

The cost of purchases of the Fund's own shares is shown as a reduction in Shareholders' Funds. The Fund's net asset value and return per Participating Preference Share are calculated using the number of shares outstanding after adjusting for purchases.

***(m) Structured entities***

The Fund considers all of its investments in Investee Funds to be investments in unconsolidated structured entities as defined by IFRS 12. Investee Funds apply various investment strategies to accomplish their respective investment objectives. Investee Funds finance their operations by issuing redeemable interests (e.g. shares) which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable interests in each of its Investee Funds. The change in fair value of each Investee fund is included in the Statement of Comprehensive Income in "Net change in financial assets at fair value through profit or loss".

***(n) Securities Lending***

The Fund participates in securities lending transactions with third party investment companies. JPMorgan Chase Bank N.A. acts as the securities lending agent (the 'Lending Agent') providing the securities lending services, record keeping services and serves as securities custodian, maintaining custody of all Fund-owned listed investments. Under the terms of its lending agreement, the Fund receives compensation in the form of fees, 20% of which are commissions payable to the Lending Agent for their services. The loans are secured by collateral comprising of governmental securities and is called in on a daily basis to a value of 102% of the fair value of securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency. The Fund continues to receive dividends on the securities loaned and any gains and losses that occur during the term of the loan will be accounted for by the Fund. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

Income earned from the securities lending agreement is recognised on the Fund's Statement of Comprehensive Income on an accruals basis and shown net of the commissions paid to the Lending Agent.

### 3. Critical Accounting Estimates and Assumptions

As stated in note 2(a) Basis of Preparation, the preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund's accounting policies. For example, the Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as minority holdings in investment and private equity companies. Fair values of such instruments are determined using different valuation techniques validated and periodically reviewed by the Board of Directors.

### 4. Share Capital and Share Premium

***(a) Authorised***

1,000 Founder shares of no par value

The Fund may issue an unlimited number of Unclassified Shares of no par value

**(b) Issued**

	Number of Shares	Share Capital \$'000	Share Premium \$'000
As at 30 <sup>th</sup> June 2018	134,964,060	–	134,349
Repurchase and cancellation of the Fund's own shares	(13,496,306)	–	(128,058)
<b>As at 1<sup>st</sup> July 2019</b>	<b>121,467,754</b>	<b>–</b>	<b>6,291</b>

**Consists of:**

Founder shares of no par value			1,000
Participating Preference Shares of no par value adjusted for purchase of own shares (note 2(l))			121,466,754
<b>As at 30<sup>th</sup> June 2019</b>			<b>121,467,754</b>

**Share Premium**

Share Premium is the amount by which the value of shares subscribed for exceeded their nominal value at the date of issue.

**Founder Shares**

All of the Founder Shares were issued on 6<sup>th</sup> June 1989 to the Manager or its nominees. The Founder Shares were issued at \$1 each par value. The Founder Shares are not redeemable. At the Extraordinary General Meeting of the Fund on 30<sup>th</sup> October 2009 and in accordance with The Companies (Guernsey) Law, 2008 it was approved that each Founder Share be redesignated as no par value shares.

The Founder Shares confer no rights upon holders other than at general meetings, on a poll, every holder is entitled to one vote in respect of each Founder Share held.

**Treasury Shares**

The Fund does not hold treasury shares as all historical repurchases of its own shares have been cancelled. During the year ended 30<sup>th</sup> June 2019, a tender offer for 10% of the Fund's shares was approved and a total of 13,496,306 shares were repurchased and cancelled.

**Participating Preference Shares**

At the Extraordinary General Meeting of the Fund on 30<sup>th</sup> October 2009 it was approved that each Participating Preference Share be divided into ten Participating Preference Shares. Under The Companies (Guernsey) Law, 2008 (as amended), the nominal values of the shares were also converted into sterling and redesignated as no par value shares.

The holders of Participating Preference Shares rank ahead of holders of any other class of share in issue in a winding up. They have the right to receive any surplus assets available for distribution. The Participating Preference Shares confer the right to dividends declared, and at general meetings, on a poll, confer the right to one vote in respect of each Participating Preference Share held. Participating Preference Shares are classed as equity as they have a residual interest in the assets of the Fund.

All of the above classes of shares are considered as Equity under the definitions set out in IAS 32, 'Financial instruments: Disclosure and presentation', because the shares are not redeemable and there is no obligation to pay cash or another financial asset to the holder.

## 5. Earnings Per Share

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of Participating Preference Shares in issue during the year.

	2019 \$'000	2018 \$'000
Capital return	25,135	85,020
Revenue return	22,796	28,157
Profit after tax for the year attributable to Participating Preference Shares	47,931	113,177
Weighted average number of Participating Preference Shares outstanding	123,204,635	134,963,060
Capital earning per Participating Preference Share	\$0.20	\$0.63
Revenue earning per Participating Preference Share	\$0.19	\$0.21
Basic earnings per Participating Preference Shares – basic and diluted	\$0.39	\$0.84

## 6. Capital Reserve

The capital reserve as at 30<sup>th</sup> June 2019 consists of the following accumulated amounts:

	2019 \$'000	2018 \$'000
Realised gains on investments sold	1,113,846	1,063,432
Unrealised appreciation on revaluation of investments	164,842	174,271
Exchange losses	(7,021)	(7,192)
Transfer to share premium	(27)	(27)
Expenses charged to capital	(29,037)	(13,016)
	1,242,603	1,217,468

All gains and losses derived from the sale, realisation or transfer of investments, and any other sums which in the opinion of the Directors are of a capital nature are applied to the capital reserve.

## 7. Payables and Accrued Expenses

	2019 \$'000	2018 \$'000
Management fees	922	1,088
Custodian fees	235	287
Directors' fees	264	281
Audit fees	48	46
Other accrued expenses	56	126
	1,525	1,828

## 8. Taxation

The Fund is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. As such, the Fund is only liable to pay a fixed annual fee, currently £1,200.

Income due to the Fund is subject to withholding taxes. The Manager undertakes a biannual review of the tax situation of the Fund and believes that withholding taxes on dividend income and capital gains taxes on capital gains are currently the material transactions that generate the amounts of tax payable.

In accordance with IAS 12, 'Income taxes', where necessary the Fund provides for deferred taxes on any capital gains/losses on the revaluation of securities in such jurisdictions where capital gains tax is levied.

The capital gains charge has been calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Fund's investments generate taxable income on realisation. The Manager, on behalf of the Board, periodically evaluates which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

## 9. Related Parties and Other Material Agreements

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties also include key management personnel and entities under common control of the Manager.

### **(a) Manager's remuneration and terms of appointment**

The Manager's appointment is under a rolling contract which may be terminated by three months written notice given by the Fund and twelve months by the Manager.

Under the Management Agreement, the Manager is entitled to receive a management fee from the Fund, payable monthly in arrears equal to 0.95% (2018: 0.95%) per annum, calculated and accrued on the Net Asset Value of the Fund as at each weekly Valuation Day, except for investments in Investee Funds, where the Manager will absorb the expenses of the management of such funds to a maximum of 1% per annum of the value of the Fund's holding in the relevant fund at the relevant time. Genesis affiliated investment companies, refer to note 9(f), do not charge a separate management fee to the Manager. The management fees for the year were \$11,650,000 (2018: \$13,883,000).

### **(b) Administration fees**

The Administrator is entitled to receive a fee, payable monthly, based on the Net Asset Value of the Fund and time incurred. Administration fees for the year were \$284,000 and charged by JP Morgan Administration Services (Guernsey) Limited (2018: \$318,000).

### **(c) Custodian fees**

Under the Custodian Agreement, the Custodian to the Fund is entitled to receive a fee payable monthly, based on the Net Asset Value of the Fund. All custody services are performed by JP Morgan Chase Bank.

The Fund also reimburses the charges and expenses of other organisations with whom securities are held. The total of all Custodian fees for the year represented approximately 0.08% (2018: 0.09%) per annum of the average Net Assets of the Fund. Custodian fees for the year were \$984,000 (2018: \$1,215,000).

### **(d) Securities lending fees**

The Fund generated gross income of \$287,000 (2018: \$772,000) from securities lending transactions during the year. Commissions amounting to \$57,000 (2018: \$154,000) were paid to JPMorgan Chase Bank N.A. during the year in respect of these transactions of which none were outstanding at the year end.

**(e) Directors' fees and expenses**

Included in Directors' fees and expenses are Directors' fees for the year of \$255,000 (2018: \$281,000). Also included are travelling, hotel and other expenses which the Directors are entitled to when properly incurred by them in travelling to, attending and returning from meetings and while on other business of the Fund.

Directors' related party interests are stated on page 37 as part of the Directors' Remuneration Report.

**(f) Other group investments**

The Genesis Smaller Companies SICAV is a related party of the Fund by virtue of having a common Manager in Genesis Investment Management, LLP (previously Genesis Asset Managers, LLP). The Fund's holding in this fund is summarised in the portfolio statement on pages 21 to 26. Subscriptions and redemptions during the year under review are detailed in the table below. No dividends were received from these funds during the year (2018: nil). The Genesis Smaller Companies SICAV was placed into liquidation on 14<sup>th</sup> December 2017.

	2019	
	Subscriptions \$'000	Redemptions \$'000
Genesis Smaller Companies SICAV	–	–

	2018	
	Subscriptions \$'000	Redemptions \$'000
Genesis Smaller Companies SICAV	–	10,229

There were no other transactions between the Fund and such related parties during the year (except as disclosed in this note) and there were no outstanding balances between these entities at 30<sup>th</sup> June 2019.

## 10. Financial Assets held at Fair Value Through Profit or Loss

**(a) Statement of Financial Position**

	30 <sup>th</sup> June 2019 \$'000	30 <sup>th</sup> June 2018 \$'000
<b>Financial assets at fair value through profit or loss:</b>		
Listed equity securities	<b>1,279,713</b>	1,369,572
Unlisted equity securities	<b>10,879</b>	13,484
Total financial assets at fair value through profit or loss:	<b>1,290,592</b>	1,383,056

**(b) Statement of Comprehensive Income**

	30 <sup>th</sup> June 2019 \$'000	30 <sup>th</sup> June 2018 \$'000
<b>Net change in financial assets at fair value through profit or loss:</b>		
Realised gains	124,818	159,989
Realised losses	(74,404)	(48,628)
Net realised gains	<u>50,414</u>	<u>111,361</u>
Change in unrealised appreciation	(17,914)	(18,091)
Change in unrealised depreciation	<u>8,485</u>	<u>4,205</u>
Net unrealised change in financial assets at fair value through profit or loss	<u>(9,429)</u>	<u>(13,886)</u>
Net change in financial assets at fair value through profit or loss	<u><u>40,985</u></u>	<u><u>97,475</u></u>

**(c) Fair Value Hierarchy**

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of unobservable inputs. The following table summarises the valuation of the Fund's securities using the fair value hierarchy:

Level 1	Level 2	Level 3
Quoted prices (unadjusted) in active markets for identical assets or liabilities.	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In some instances, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

Investments in Level 2 include both P Notes and listed equity securities held via affiliated investment companies (refer page 56).

The underlying investments categorised in Level 3 of the hierarchy are those securities whose price is not available in observable markets, or whose prices were stale (not pricing on an exchange for some time). These investments are reviewed on a monthly basis by the Manager's Valuation Committee and the results reported to the Board on a regular basis. The Manager considers the appropriateness of the valuation inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.



The following table summarises the valuation of the Fund's securities using the fair value hierarchy:

At 30 <sup>th</sup> June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Investment in equity securities	1,273,774	188	–
Participatory notes	–	5,939	–
Investee funds	–	–	10,691
	<b>1,273,774</b>	<b>6,127</b>	<b>10,691</b>

At 30 <sup>th</sup> June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Investment in equity securities	1,361,784	194	–
Participatory notes	–	7,789	–
Investee funds	–	–	13,289
	<b>1,361,784</b>	<b>7,983</b>	<b>13,289</b>

#### (d) Level 3 Investments

The valuation techniques used for the Level 3 investments are detailed below:

Valuation basis for Level 3 Investment	2019 \$'000	2018 \$'000
Administrator's Net Asset value	10,691	13,289
	<b>10,691</b>	<b>13,289</b>

As at 30<sup>th</sup> June 2019 there were six holdings (2018 : seven holdings) classified as Level 3 investments. Three holdings in Investee Funds were valued using the most recently available valuation statements as received from the respective general partner/manager/administrator, updated to include subsequent cash flows. Three holdings (2018: four holdings) had a nil value.

As the key input into the valuation of Level 3 investments is the official valuation statements from the Investee Fund, we do not consider it appropriate to put forward a sensitivity analysis on the basis that insufficient value is likely to be derived by the end user.

The following table summarises the change in value associated with Level 3 financial instruments carried at fair value during the year:

	2019 Level 3 \$'000	2018 Level 3 \$'000
Balance at 1 <sup>st</sup> July	13,289	15,560
Return of capital	(3,180)	(452)
Realised (loss)/gain	(1,649)	148
Net change in unrealised appreciation/(depreciation)	2,231	(1,967)
Balance at 30 <sup>th</sup> June	<b>10,691</b>	<b>13,289</b>

Unrealised losses as at year end amounting to \$3,836,000 (2018: unrealised losses of \$6,067,000) related to Level 3 securities. Gains and losses (realised and unrealised) included in the Statement of Comprehensive Income for the year are reported in 'Net change in financial assets at fair value through profit or loss'.

#### **(e) Transfers between Levels**

There were no transfers between Level 1, 2 or 3 during the year.

#### **(f) Securities Lending**

As at 30<sup>th</sup> June 2019 the Fund had securities with a fair value of \$97,341,000 (2018: \$69,065,000) on loan and received \$94,332,000 (2018: \$64,188,000) of non-cash collateral for these loans. Included in the securities on loan were Brazilian securities with a fair value of \$6,902,000 (2018: \$7,282,000). All Brazilian securities lending transactions must go through the Brazilian Clearing and Depository Corporation ('CBLC'), who act as a counterparty, managing and holding the collateral. The CBLC do not disclose specific collateral amounts held for individual loans. Hence the \$94,332,000 collateral received by the Fund only relates to \$90,439,000 of non-Brazilian securities on loan. The Fund is still indemnified by the Lending Agent on securities lending transactions going through the CBLC.

## 11. Dividend

	2019 US\$'000	2018 US\$'000
<b>Dividends paid</b>		
2018 final dividend of 19.0 US cents (2017: 14.0) per Participating Preference Share	23,079	18,895
	<b>23,079</b>	<b>18,895</b>
<b>Dividend Proposed</b>		
2019 final dividend of 19.0 US cents (2018: 19.0) per Participating Preference Share	23,079	23,079
	<b>23,079</b>	<b>23,079</b>

The dividend proposed in respect of the year ended 30<sup>th</sup> June 2019 is subject to shareholder approval at the forthcoming AGM. In accordance with the accounting policy of the Fund (see note 2(e)), this dividend will be reflected in the financial statements for the year ending 30<sup>th</sup> June 2020.

## 12. Transaction Costs

	2019 \$'000	2018 \$'000
Acquiring	661	820
Disposing	1,153	906
	<b>1,814</b>	<b>1,726</b>

## 13. Segment Information

The Directors, after having considered the way in which internal reporting is provided to them, are of the opinion that the Fund continues to be engaged in a single segment of business, being the provision of a diversified portfolio of investments in emerging markets.

All of the Funds' activities are interrelated, and each activity is dependant on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund operating in one segment.

The financial positions and results from this segment are equivalent to those per the financial statements of the Fund as a whole, as internal reports are prepared on a consistent basis in accordance with the measurement and recognition principles of IFRS.

As at 30<sup>th</sup> June 2019 and 30<sup>th</sup> June 2018, the Fund has no assets classified as non-current assets. A full breakdown of the Fund's financial assets at fair value through profit and loss is shown in the Country exposure of the Fund's portfolio on page 17.

The Fund is domiciled in Guernsey. All of the Fund's income from investment is from entities in countries or jurisdictions other than Guernsey.

## 14. Financial Risk Management

The Fund's financial instruments comprise equities, holdings in investment companies/private placements, cash and cash equivalents and short-term receivables and payables that arise directly from its operations including amounts due to and due from brokers.

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), liquidity risk and credit risk. The Fund's approach to the management of these risks is set out as follows:

### **(a) Market Price Risk**

Market price risk is the risk that value of the instrument will experience unanticipated fluctuations as a result of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether caused by factors specific to an individual investment, its issuer, or all factors influencing all instruments traded in the market.

#### *Market price risk exposure*

The Fund invests predominantly in quoted equity securities, the fair value of which may fluctuate because of changes in market prices. All investments in securities present a risk of loss of capital, due to poor performance of the individual company, or a sharp deterioration in the sector, country, or region's economic environment. The Fund also invests in securities and investments, including Investee Funds, that are not traded in active markets and are susceptible to market price risk from uncertainties about the future values of those securities and investments.

#### *Market price risk management*

Market price risk can be moderated in a number of ways by the Manager through:

- (i) a disciplined stock selection and investment process; and
- (ii) limitation of exposure to a single investment through diversification and through amongst others, the implementation of investment restrictions.

The Board reviews the prices of the portfolio's holdings and investment performance at their meetings.

The Fund's portfolio at the end of reporting period reflects the diversified strategy. The charts and tables on Country and Sector Exposure of the Portfolio (page 17) and The Portfolio (pages 21 to 26) illustrate the allocation of the portfolio assets according to these criteria as at 30<sup>th</sup> June 2019.

The Manager has identified the MSCI EM (TR) Index as a relevant reference point for the markets in which it operates. However, the Manager does not manage the Fund's investment strategy to track the MSCI EM (TR) Index or any other index or benchmark. The short-term performance of the Fund and its correlation to the MSCI EM (TR) Index is shown in the Highlights section on pages 4 and 5 and is expected to change over time.

Given that the observed volatility of the Fund's NAV in 2019 was 17.93% (2018: 11.35%), and assuming the same level of volatility in the coming year, the NAV and profit stands to increase or decrease by the amounts set out below:

	2019 \$'000	2018 \$'000
Financial assets at fair value through profit or loss	<b>1,290,592</b>	1,383,056
Net Asset Value and profit impact	<b>231,403</b>	156,977

#### *Market price risk – Investee Funds*

The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

The exposure to investments in Investee Funds at fair value is disclosed as part of Note 10. These investments are included in "Financial assets at fair value through profit or loss" in the Statement of Financial Position. The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

The Fund's investment strategy entails trading in other funds on a regular basis. There were no purchases in Investee Funds during the year ended 30<sup>th</sup> June 2019 (2018: none); Total sales amounted to \$3,180,000 (2018: \$452,000). As at 30<sup>th</sup> June 2019 and 2018 there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases. During the year ended 30<sup>th</sup> June 2019 total net gains incurred on investments in Investee Funds were \$582,000 (2018: losses of \$1,819,000).

**(b) Foreign Currency Risk**

The Fund invests in financial instruments and enters into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than US dollars (functional currency).

*Foreign currency risk exposure*

The following table sets out the Fund's material exposures to foreign currency risk as at 30<sup>th</sup> June 2019:

Currency	Net non-monetary assets and (liabilities) \$'000	Net monetary assets and (liabilities) \$'000	Total foreign currency risk \$'000
Brazilian real	68,198	438	68,636
Chinese yuan renminbi	65,033	5,666	70,699
Euro	46,030	724	46,754
Hong Kong dollar	111,521	315	111,836
Hungarian forint	14,318	–	14,318
Indian rupee	111,895	38	111,933
Indonesian rupiah	34,459	–	34,459
Korean won	131,250	339	131,589
Mexican peso	41,518	–	41,518
Nigerian naira	17,176	1,015	18,191
Philippine peso	19,853	105	19,958
South African rand	79,356	189	79,545
Sterling	24,225	242	24,467
Swiss Franc	16,241	–	16,241
Taiwan dollar	28,010	741	28,751
Thailand baht	44,159	379	44,538
Turkish lira	34,637	–	34,637
United States dollar	324,225	2,001	326,226
Vietnamese dong	28,164	–	28,164
Other currencies	50,324	2,476	52,800
	<b>1,290,592</b>	<b>14,668</b>	<b>1,305,260</b>

Comparative figures as at 30<sup>th</sup> June 2018 are as follows:

Currency	Net non-monetary assets and (liabilities) \$'000	Net monetary assets and (liabilities) (\$'000)	Total foreign currency risk \$'000
Brazilian real	75,326	(24)	75,302
Chinese yuan renminbi	65,388	487	65,875
Euro	54,133	(13)	54,120
Hong Kong dollar	113,061	473	113,534
Indian rupee	146,190	346	146,536
Indonesian rupiah	23,953	–	23,953
Korean won	149,371	647	150,018
Mexican peso	39,601	–	39,601
Nigerian naira	27,516	563	28,079
South African rand	109,291	–	109,291
Sterling	32,781	372	33,153
Taiwan dollar	43,991	1,284	45,275
Thailand baht	51,528	25	51,553
Turkish lira	48,696	(43)	48,653
United States dollar	280,677	18,332	299,009
Vietnamese dong	35,382	1,137	36,519
Other currencies	86,171	1,824	87,995
	<b>1,383,056</b>	<b>25,410</b>	<b>1,408,466</b>

#### *Foreign currency risk management*

The Fund has opted not to engage in any active management of foreign currency risk, and therefore all its open foreign exchange positions are unhedged at the end of the reporting period.

The degree of sensitivity of the Fund's assets to foreign currency risk depends on the net exposure of the Fund to each specific currency and the volatility of that specific currency in the year. At 30<sup>th</sup> June 2019, had the average exchange rate of the US dollar weakened by a reasonable possible movement of 500 basis points (2018 : 500 basis points) in relation to the basket of currencies in which the Fund's net assets are denominated, weighted by the Fund's exposure to each currency with all other variables held constant, the Fund estimates net assets and the change in net assets per the Statement of Comprehensive Income would have increased by \$48,952,000 (2018: \$55,473,000).

An increase in the US dollar by 500 basis points in relation to the basket of currencies in which the Fund's net assets are denominated would have resulted in a decline in net assets by the same amount but in the opposite direction, under the assumption that all other factors remain constant.

The Manager does not consider it realistic or useful to examine foreign currency risk in isolation. The Manager considers the standard deviation of the NAV (which is struck in US dollars) as the appropriate risk measurement for the portfolio as a whole as it reflects market price risk generally. Please see Market Price Risk section in Note 14(a).

**(c) Liquidity Risk***Liquidity risk exposure*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations as they arise for settlement associated with financial liabilities or can do so on terms that are materially disadvantageous. Liquidity risk also arises because the Fund's assets may be invested in equities in emerging markets which may be less liquid than developing markets. The Fund is closed-ended; therefore risk arising from redemption requests from investors does not exist. Furthermore, the risk of the Fund not having sufficient liquidity at any time is not considered by the Board to be significant, given the large number of listed investments held in the portfolio and the liquid nature of the portfolio of investments.

The liquidity risk profile of the Fund as at 30<sup>th</sup> June 2019 was as follows:

	2019 \$'000	2018 \$'000
<b>Amounts due within one month</b>		
Amounts due to brokers	1,938	3,649
Payables and accrued expenses	1,525	1,828
<b>Amounts due within one year</b>		
Capital gains tax payable	6,140	1,239
Total liabilities	9,603	6,716

There were no amounts due beyond one year.

*Liquidity risk management*

The restrictions on concentration and the diversification requirements detailed above (see market price risk) also serve normally to protect the overall value of the Fund from the risks created by the lower level of liquidity in the markets in which the Fund operates.

The Fund has no receivables past their due dates as at 30<sup>th</sup> June 2019 (2018: nil).

**(d) Credit Risk***Credit risk exposure*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the Fund. The Fund is exposed to counterparty credit risk on cash and cash equivalents and amounts due from brokers. The risk relating to unsettled transactions is considered small due to the credit quality of the custodians used by the Fund. The Manager, on behalf of the Board, regularly reviews the brokers and Custodian used by the Fund, including their internal controls, in order to mitigate these risks.

The Fund has no receivables past their due dates as at 30<sup>th</sup> June 2019 (2018: nil).

*Credit risk management*

All transactions in securities are settled upon delivery using brokers whose credit worthiness has been formally assessed as equivalent to investment grade or have been formally approved by the Investment Adviser. The risk of default is mitigated by stringent processes in place by the relevant central depositories, together with broker and local agent adherence to market practices, which ensures that trades are able to settle in a timely and efficient manner. Cash and cash equivalents are held by the Custodian and third party financial institutions whose credit ratings are assessed as equivalent to investment grade.



The maximum exposure to credit risk before any credit enhancements at 30<sup>th</sup> June is the carrying amount of the financial assets as set out below.

	2019 Amounts due within 1 year \$'000	2018 Amounts due within 1 year \$'000
Amounts due from brokers	2,079	2,375
Dividends receivable	2,512	4,287
Other receivable and prepayments	193	204
Cash and cash equivalents	19,487	25,260
	<b>24,271</b>	<b>32,126</b>

None of these assets are impaired nor past due but not impaired.

#### *Credit Risk – Participatory Notes*

As at 30<sup>th</sup> June 2019 the Fund held one P Note (2018: one) which allowed for the Fund to trade in equity securities in Saudi Arabia.

Investments in P Notes involve similar risks associated with a direct investment in the underlying foreign companies or foreign markets that they seek to replicate. The P Note held by the Fund disclosed in the Portfolio (page 24) and is provided by HSBC to allow the Fund to trade in equity securities in Saudi Arabia. P Notes are not used for the purposes of hedging risk. Although the P Note is structured with a defined maturity date, early redemption may be possible. Other risks associated with P Notes include the possible failure of a counterparty to perform in accordance with the terms of the agreement and potential delays or an inability to redeem before maturity under certain market conditions. The Fund minimizes this risk by entering into agreements only with the counterparties that the Investment Adviser deems credit worthy. Standard and Poor's long-term credit ratings for HSBC is AA-. Due to liquidity and transfer restrictions, the secondary markets on which the P Notes are traded may be less liquid than the markets for other securities, or may be completely liquid.

#### *Credit Risk – Securities Lending*

Participation in securities lending transactions exposes the Fund to risk of default by the third party borrower. To mitigate this risk, the Lending Agent is responsible for monitoring the collateralisation of 102% and 105% and ensuring that these levels are maintained on marked to market fair values of all securities on loan. In case of default by the borrower, the responsibility to 'make good' the transaction falls to the Lending Agent.

The Investment Adviser actively monitors the capital levels and credit rating of the Lending Agent and the third party borrowers.

#### **(e) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises on interest-bearing financial instruments recognised at the end of the reporting period.

### *Interest rate risk exposure and management*

The Fund has the ability to borrow up to 10% of the Fund's NAV in order to increase the amount of capital available for investment. The Fund aims to keep its use of an overdraft facility for trading purposes to a minimum only using a facility to enable settlements. It may also hold interest bearing securities and cash.

Interest rate movements may affect the level of income receivable on cash deposits and cash equivalents and interest payable on borrowing. However, the Fund was not leveraged in 2019 or 2018. The majority of the Fund's net financial assets were non interest bearing (98.51% on average over the twelve-month period to 30<sup>th</sup> June 2019 (2018: 98.21%)). As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates other than the impact such fluctuations may have on capital returns. The Directors do not consider the exposure to interest risk as being material to the Fund.

### ***(f) Capital Risk Management***

The capital of the Fund is represented by the equity attributable to holders of Participating Preference Shares. The amount of equity attributable to holders of Participating Preference Shares is subject to change, at most, twice monthly as the Fund is a closed-ended fund with the ability to issue additional shares only if certain conditions are met as set out in the Fund's scheme particulars. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## 15. Ultimate Controlling Party

In the opinion of the Directors on the basis of the shareholdings advised to them, the Fund has no immediate or ultimate controlling party.

## 16. Events After Reporting Date

From 1<sup>st</sup> July 2019, the management fee was reduced from 0.95% to 0.90% and will now be payable to GIM, LLP, the investment manager from 30<sup>th</sup> June 2019 (see page 2).

On 24<sup>th</sup> September 2019, the Board proposed a dividend of 19.0 US cents per Participating Preference Share subject to Shareholder approval.

There were no other significant events to disclose since the reporting date.

# Remuneration Disclosure

*(unaudited)*

AIFMD requires certain qualitative and quantitative disclosures on the remuneration of GAM, LLP to assist the understanding of the risk profile of the Fund.

The Manager's primary aim is to achieve excellent investment returns for its clients and believes that this focus on asset performance has been a key contributor to its success in the past and will continue to be so in the future. The Manager believes that fund management organisations with strong alignment structures are going to be best placed to attract, retain and motivate key talent and hence have the greatest likelihood of generating long-term outperformance.

The Manager's remuneration philosophy reflects this primary aim and is based on rewarding individual contribution whilst ensuring that its investment team remain a cohesive group that retains its team-based culture. The Manager's goal has been to create a culture which is based upon performance rather than entitlement and long-term business viability rather than short-term personal gain.

The Manager's remuneration arrangements need to promote effective risk management and be consistent with its risk profile, risk structure and risk strategy. The Manager achieves this through appropriate remuneration frameworks for its Partners, Non-Executive Operating Committee Members and Staff throughout the Genesis Group and the oversight of those frameworks by those charged with their governance.

The table below shows the total remuneration paid to senior management of the Manager in relation to their management of the Fund's activities for the 2018 calendar year. Fixed remuneration consists entirely of fees paid. Variable remuneration consists of profit distributions paid to the Partners of the Manager, in accordance with remuneration policies. Although Partners are advanced an equal fixed level of drawings, their remuneration is entirely dependent on the Manager's overall profitability and hence is classified as variable. There are no other members of the Manager who have a significant impact on the risk profile of the Fund.

	Year ended 31 <sup>st</sup> December 2018 US\$000
Fixed remuneration	25
Variable remuneration	626
Total remuneration	<u>651</u>
Number of beneficiaries	15

The Manager delegates its portfolio management activities to GIM, LLP, the Fund's Investment Adviser. GIM, LLP is authorised and regulated by the UK's Financial Conduct Authority and is required to apply the BIPRU Remuneration Code, which is deemed equally as effective as that required under AIFMD. The BIPRU Remuneration Code is applied to individuals whose professional activities have a material impact on its risk profile ('Code Staff'). The aggregate remuneration of Code Staff from GIM in 2018 was £57,771,000. Code Staff were senior management, risk-takers, key personnel in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on the firm's risk profile. GIM, LLP has only one business line: the provision of investment management and advisory services to institutional clients investing in equity securities in emerging markets.

# Administration

## Registered Office

1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade  
St. Peter Port, Guernsey, GY1 6JB, Channel Islands

## Website

[www.genesisemf.com](http://www.genesisemf.com)

## Manager (until 30<sup>th</sup> June 2019)

Genesis Asset Managers, LLP  
Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY, Channel Islands  
*(Registered as an Investment Advisor with the SEC)*

## Investment Adviser (until 30<sup>th</sup> June 2019, thereafter the investment manager)

Genesis Investment Management, LLP  
21 Grosvenor Place, London SW1X 7HU, United Kingdom  
*(Authorised and regulated by the United Kingdom's Financial Conduct Authority)*  
[www.giml.co.uk](http://www.giml.co.uk)

## Custodian

JP Morgan Chase Bank  
25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom

## Administrator and Company Secretary

J.P. Morgan Administration Services (Guernsey) Limited  
1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade  
St. Peter Port, Guernsey, GY1 6JB, Channel Islands

## Registrar and Transfer Agent

Computershare Investor Services (Channel Islands) Limited  
Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES, Channel Islands

## Stockbrokers

JP Morgan Cazenove  
25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom

## Independent Auditor

KPMG Channel Islands Limited  
Glategny Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 1WR

## Legal Advisers

Mourant Ozannes  
1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP, Channel Islands

# Glossary of Terms

*including Alternative Performance Measures and Reconciliations*

## Alternative Performance Measures

The European Securities and Markets Authority ('ESMA') has published guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.' The guidelines are aimed at promoting the usefulness and transparency of APMs included in regulated information and aim to improve comparability, reliability and/or comprehensibility of APMs. The following definitions shown with a \* are the APMs that are used throughout this Annual Financial Report, Financial Statements and Notes to the Financial Statements.

### Net Asset Value per Participating Preference Share

Net Assets are the value of the Fund's assets less its liabilities.

Net Asset Value ('NAV') per Participating Preference Share is the Net Assets divided by the number of Participating Preference Shares in issue.

As at 30<sup>th</sup> June 2019, the NAV per Participating Preference Share was £8.44 or \$10.75 (2018: £7.90 or \$10.44).

### Net Asset Value per Participating Preference Share Total Return\*

NAV per Participating Preference Share Total Return is a measure showing how the NAV per Participating Preference Share has performed over a period of time, taking into account dividends paid to shareholders. Total Return measures allow shareholders to compare performance between investment funds where the dividend paid may differ.

To calculate Total Return, it is assumed that dividends are reinvested into the assets of the Fund at the prevailing NAV on the last day of the month that the shares first trade ex-dividend.

For the year ended 30<sup>th</sup> June 2019, the NAV per Participating Preference Share Total Return in GBP was 9.0% (2018: 6.8%). The calculation of these figures is shown in the table below:

		30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018
Opening NAV per Participating Preference Share		<b>790.3749</b>	749.5627
Closing NAV per Participating Preference Share	(a)	<b>844.2493</b>	790.3749
Dividend paid	(b)	<b>14.7561</b>	10.3424
NAV per Participating Preference Share on month end ex-dividend	(c)	<b>735.8528</b>	781.9492
Dividend adjustment factor (d = (b ÷ c) +1)	(d)	<b>1.020053</b>	1.013226
Adjusted closing NAV per Participating Preference Share (e = a x d)	(e)	<b>861.1791</b>	800.8287
<b>Net Asset Value per Participating Preference Share Total Return</b>		<b>9.0%</b>	<b>6.8%</b>

## Share Price

The Share Price taken is the closing price. This is the price at which the Fund's shares trade on the London Stock Exchange at the end of trading on a business day.

*\*Alternative Performance Measure*

## Share Price Total Return\*

Share Price Total Return is a measure showing how the Share Price has performed over a period of time, taking into account dividends paid to shareholders. Total Return measures allow shareholders to compare performance between investment funds where the dividend paid may differ.

To calculate Total Return, it is assumed that dividends are reinvested into the shares of the Fund at the prevailing Share Price on the last day of the month that the shares first trade ex-dividend.

For the year ended 30<sup>th</sup> June 2019, the Share Price Total Return in GBP was 11.1% (2018: 8.4%). The calculation of these figures is shown in the table below:

		30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018
Opening Share Price		<b>697.00</b>	652.50
Closing Share Price	(a)	<b>757.00</b>	697.00
Dividend paid	(b)	<b>14.7561</b>	10.3424
Share Price on month end ex-dividend	(c)	<b>641.00</b>	680.00
Dividend adjustment factor (d = (b ÷ c) +1)	(d)	<b>1.02302</b>	1.015209
Adjusted closing Share Price (e = a x d)	(e)	<b>774.4265</b>	707.6010
<b>Share Price Total Return</b>		<b>11.1%</b>	8.4%

## Discount/premium\*

The discount or premium is a measure showing the relationship between the share price and the NAV per Participating Preference Share, which is expressed as a percentage of the NAV per Participating Preference Share. If the share price is lower than the NAV per Participating Preference Share, the shares are said to be trading at a discount. If the share price is higher than the NAV per Participating Preference Share, the shares are said to be trading at a premium.

As at 30<sup>th</sup> June 2019, the discount was 10.3% (2018: 11.9%).

## Ongoing charges ratio\*

The ongoing charges ratio is a measure used to estimate the expenses likely to occur in the foreseeable future. It is calculated by dividing the annualised ongoing charges (total operating expenses excluding transaction costs and one-off charges) by the average month end net asset values of the Fund for the year under review and has been prepared in accordance with the AIC's recommended methodology.

For the year ended 30<sup>th</sup> June 2019, the Ongoing Charges Ratio was 1.11% (2018: 1.10%). The calculation of these figures is shown in the table below:

		30 <sup>th</sup> June 2019	30 <sup>th</sup> June 2018
Total operating expenses	(a)	<b>16,144,000</b>	17,840,000
Transaction costs	(b)	<b>1,814,000</b>	1,726,000
One-off charges	(c)	<b>675,000</b>	-
Annualised ongoing charges (d = a – b – c)	(d)	<b>13,655,000</b>	16,114,000
Average monthly net assets	(e)	<b>1,234,179,000</b>	1,460,800,000
<b>Ongoing charges ratio (f = d ÷ e)</b>	(f)	<b>1.11%</b>	1.10%

Due to the management fees being reduced by 0.05% from 1<sup>st</sup> July 2019, the ongoing charges ratio is estimated to be 1.06% for the next financial year.

\*Alternative Performance Measure

# Notice of Annual General Meeting

Notice is hereby given of the thirtieth Annual General Meeting of the shareholders of the Genesis Emerging Markets Fund Limited (the 'Company') which is to be held at the Company's registered office at 1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade, St. Peter Port, Guernsey GY1 6JB, Channel Islands on 4<sup>th</sup> November 2019 at 10.30 a.m. for the following purposes:

## Agenda

### Ordinary Resolutions

1. To receive the Report of the Directors and audited Financial Statements for the year ended 30<sup>th</sup> June 2019;
2. To approve the Directors' Remuneration Report for the year ended 30<sup>th</sup> June 2019;
3. To re-appoint KPMG Channel Islands Limited as Independent Auditors to the Fund;
4. To authorise the Directors to agree the remuneration of the Independent Auditors;
5. To declare a final dividend of 19.0 US cents per Participating Preference Share to be paid in respect of the financial year ended 30<sup>th</sup> June 2019;
6. To elect Dr Simon Colson as a Director of the Company;
7. To re-elect Sujit Banerji as a Director of the Company;
8. To re-elect Russell Edey as a Director of the Company;
9. To re-elect Saffet Karpas as a Director of the Company;
10. To re-elect Hélène Ploix as a Director of the Company; and
11. To re-elect Katherine Tsang as a Director of the Company.

*None of the Directors have a service contract.*

### Special Resolution

12. To consider and, if thought fit, pass the following resolution:

THAT, In substitution for the Company's existing authority to make market purchases of Participating Preference Shares, the Fund is hereby authorised to make market purchases of Participating Preference Shares provided that:

- (i) the maximum number of Participating Preference Shares hereby authorised to be purchased shall be 18,200,000;
- (ii) the maximum price which may be paid for a Participating Preference Share is an amount equal to 105% of the average of the middle market quotations for a Participating Preference Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Participating Preference Share is purchased;
- (iii) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Fund to be held in 2020 unless such authority is renewed prior to such time; and
- (iv) the Fund may make a contract to purchase Participating Preference Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Participating Preference Shares pursuant to any such contract.



GENESIS EMERGING MARKETS FUND LIMITED  
1<sup>st</sup> Floor, Les Echelons Court, Les Echelons, South Esplanade  
St. Peter Port, Guernsey GY1 6JB, Channel Islands