



# ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2020



We aim to generate excellent long-term investment performance in Emerging Market equities for our shareholders. In doing so, we will uphold our values and consider the interests of all stakeholders.

## Investment Objective

The investment 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 low- and middle-income countries.

## 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 Investment Manager's assessment of their intrinsic value.

## 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 in issue is 121,466,754 as at 30 June 2020 (30 June 2019: 121,466,754).

## Investment Manager

The investment manager of the Fund is Genesis Investment Management, LLP (the 'Investment Manager' or 'Genesis'). More information on Genesis and their investment philosophy and process can be found on pages 12 to 15.

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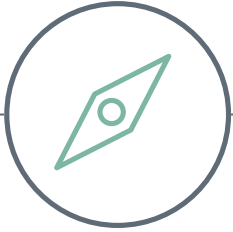
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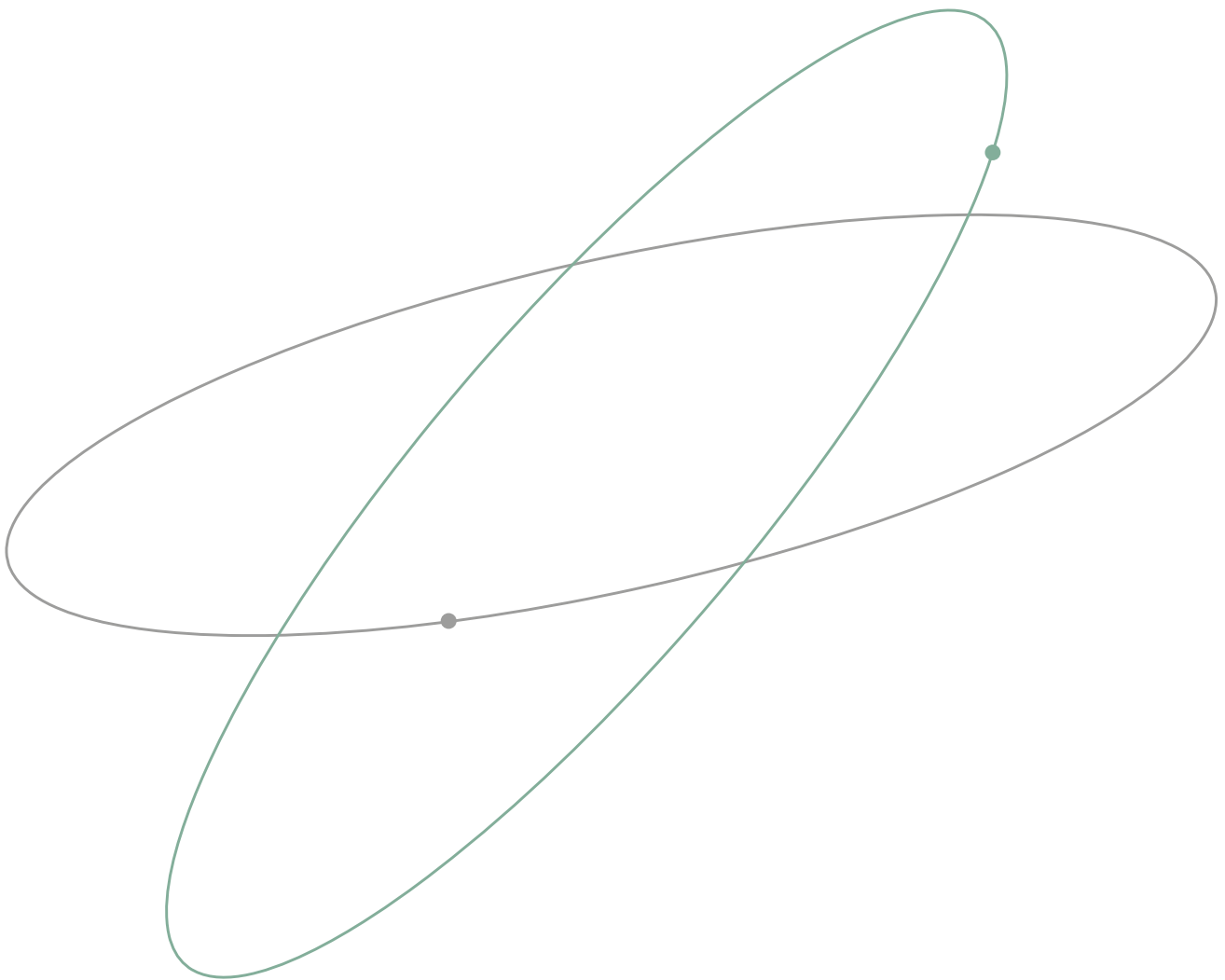
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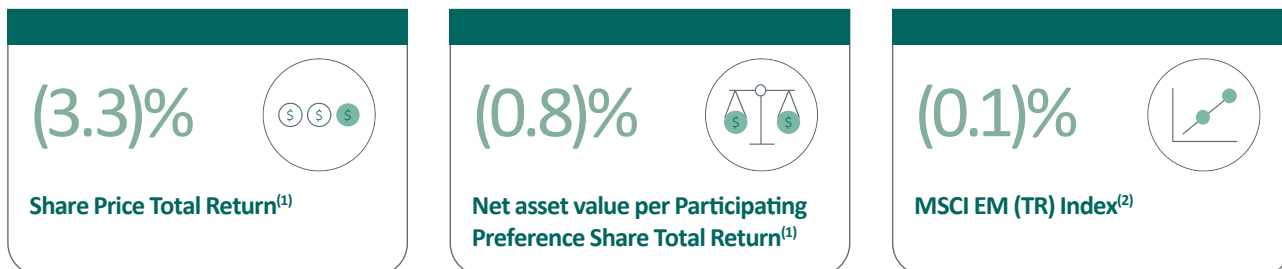


# ● Strategic Report



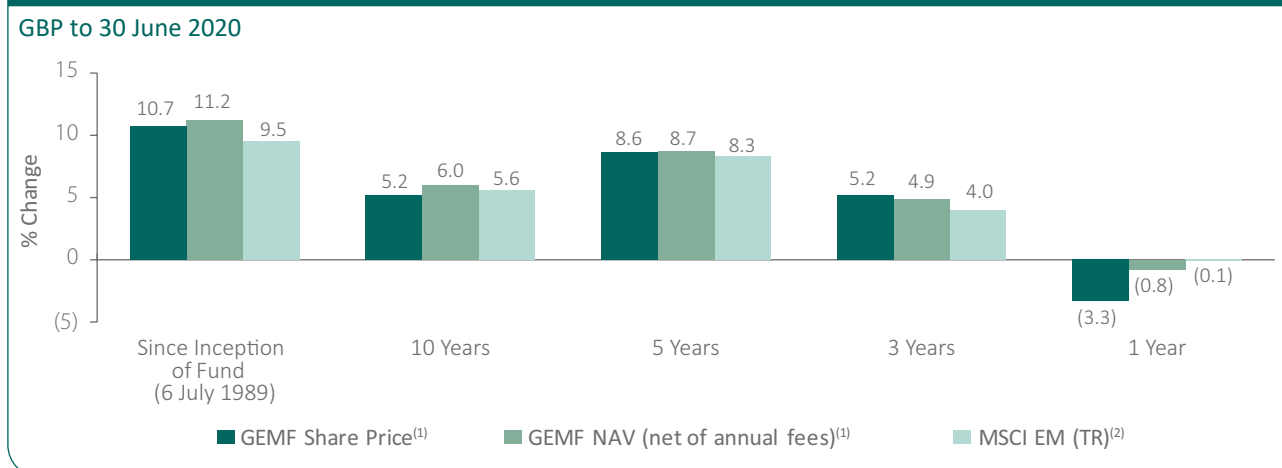
# Financial Highlights and Performance

## GEMF Total Return in GBP for the year to 30 June 2020



	30 June 2020	30 June 2019	% change
<b>USD</b>			
Net Assets <sup>(3)</sup>	<b>\$1,235.8m</b>	\$1,305.3m	(5.3)
Net Asset Value per Participating Preference Share <sup>(3)</sup>	<b>\$10.17</b>	\$10.75	(5.4)
Dividend per Participating Preference Share <sup>(3)(4)</sup>	<b>\$0.17</b>	\$0.19	(10.5)
<b>GBP</b>			
Net Assets <sup>(5)</sup>	<b>£1,000.1m</b>	£1,025.6m	(2.5)
Net Asset Value per Participating Preference Share <sup>(5)</sup>	<b>£8.23</b>	£8.44	(2.5)
Share Price	<b>£7.18</b>	£7.57	(5.2)
Discount of Share Price to Net Asset Value per Participating Preference Share <sup>(1)</sup>	<b>12.8%</b>	10.3%	
Number of Participating Preference Shares	<b>121,466,754</b>	121,466,754	
Ongoing charges ratio <sup>(1)</sup>	<b>1.07%</b>	1.11%	
Countries represented in portfolio	<b>30</b>	32	
Number of holdings	<b>96</b>	112	

## ANNUALISED TOTAL RETURNS



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

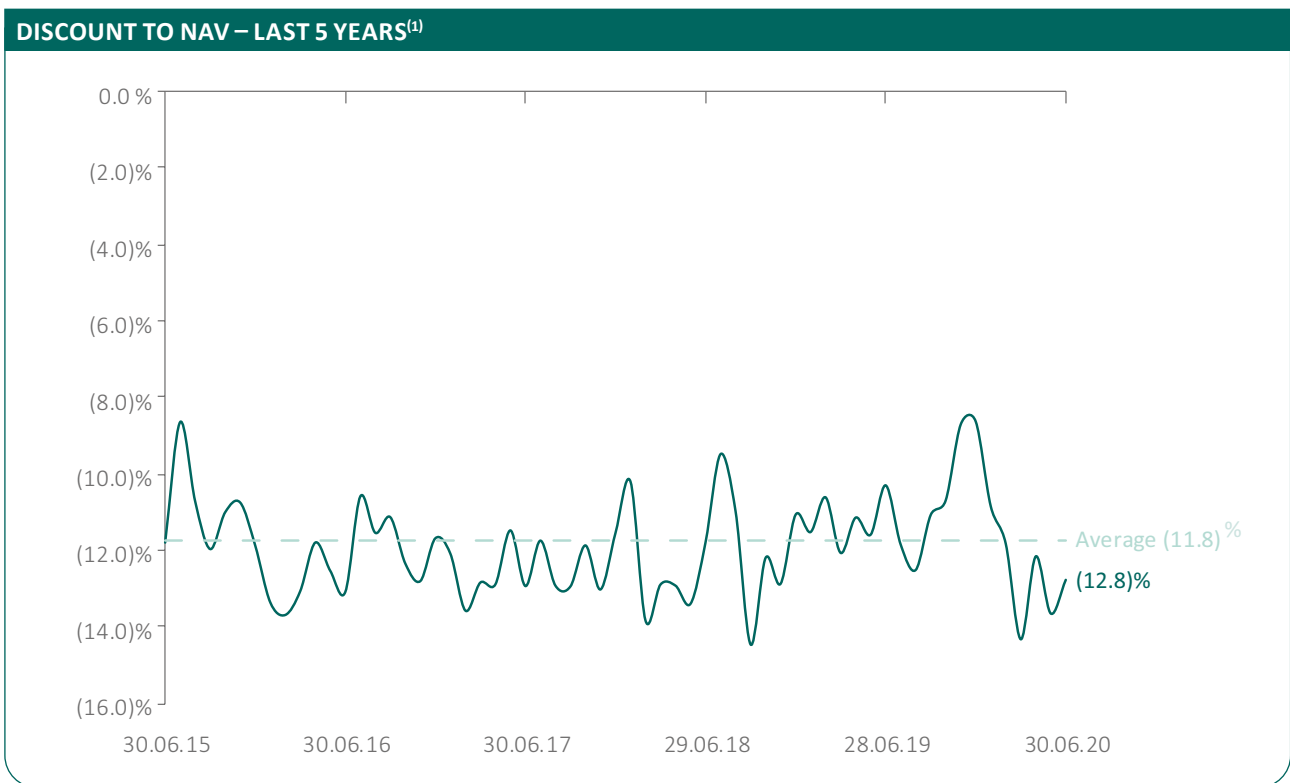
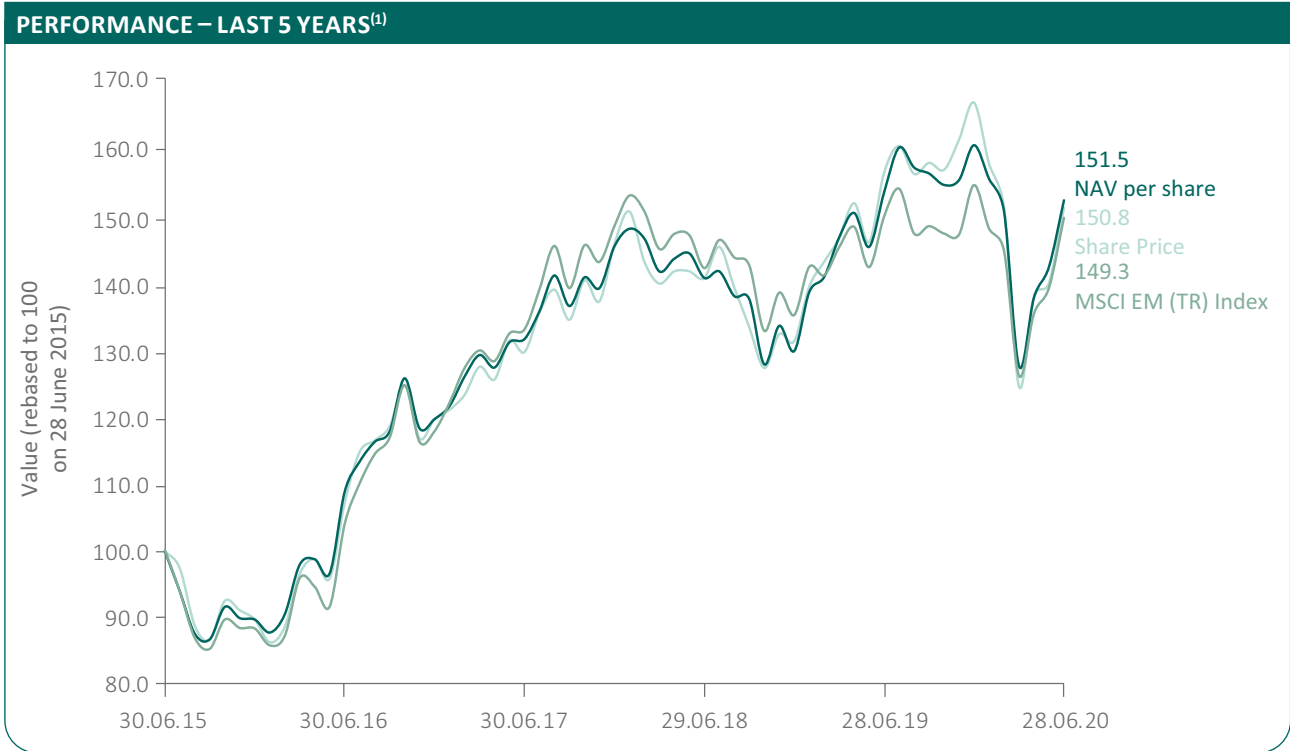
<sup>(2)</sup> MSCI Emerging Markets (Total Return) Index.

<sup>(3)</sup> IFRS measure. Refer to pages 51 to 72 in the Financial Statements and Notes to the Financial Statements.

<sup>(4)</sup> A dividend of \$0.17 per Participating Preference Share on the Fund's profits for the year ended 30 June 2020 has been proposed.

<sup>(5)</sup> Translation of the USD measures using the GBP/USD exchange rate as at 30 June 2020 of 1.2356 (2019: 1.2727).

Past performance is no guarantee of future performance.



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

# Chairman's Statement

I have pleasure in presenting the thirty-first annual report of the Genesis Emerging Markets Fund Limited, for the year ended 30 June 2020.



Hélène Ploix  
Chairman

## Overview

Over the year to 30 June 2020, the Fund's net asset value (NAV) fell by 0.8% in sterling total return terms to £8.23 per Participating Preference Share. This compares to a fall of 0.1% in the Fund's benchmark, the MSCI Emerging Markets Total Return Index (the 'Index'). It should be noted that the Fund invests in a significant number of non-benchmark stocks which the Investment Manager believes have long-term growth potential. The Fund's share price fell by 3.3% to £7.18 (adjusted for dividends paid) over the same period.

These have obviously been extraordinary times, not least for financial markets. In response to the disruption brought about by the COVID-19 crisis, the Fund's liquid and well diversified portfolio has stood up well to the challenges posed. The Investment Manager quickly implemented effective Business Continuity Plan ('BCP') arrangements, allowing them to operate as normal. Key service providers to the Fund similarly moved swiftly to invoke BCP planning in delivering appropriate levels of support. A full impact assessment of COVID-19 on the Fund's ability to operate as a going concern has been satisfactorily executed, and this has been documented on page 39.

Against a backdrop of strong absolute and relative performance explained in this Statement last year, the impact of the COVID-19 crisis on the Fund has resulted in weaker performance this year. As discussed further in the Investment Manager's Review, the Fund added value relative to the Index before the global pandemic impacted markets from February, led by stock selection in South Korea, South Africa and Brazil. However, the Fund suffered during the height of the crisis due to underweight positions in markets that handled the pandemic well, such as China, South Korea and Taiwan. Although the average holding period in the Fund is in excess of five years, the Investment Manager has shown decisiveness when markets present compelling valuation opportunities. This was the case in recent months as volatility created by the pandemic presented opportunities to increase the quality of the portfolio at relatively attractive prices. As ever, the Investment Manager continues to focus fully 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.

A more detailed explanation of the year's performance and changes to positioning is provided in the Investment Manager's Review on pages 18 to 21.

The Board is pleased to report that the Investment Manager continues to meet Environmental, Social

and Governance ('ESG') related requirements in fulfilling its duties. More information on Genesis' approach to ESG can be found on page 9.

The Fund held its Annual General Meeting ('AGM') on 4 November 2019, 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 5 November 2019 provided shareholders an opportunity to hear from, and ask questions of, representatives of the Investment Manager.

A dividend of 14.78p (19.0¢) per Participating Preference Share was paid to shareholders on 13 December 2019. As discussed in the 2019 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 investment objective.

For the year ended 30 June 2020 a final dividend of 17.0¢ per Participating Preference Share has been proposed and is subject to approval by shareholders at the AGM. The reduction from 19.0¢ to 17.0¢ follows the fall in income during the year caused largely by the reduction or cancellation of dividends by a number of our investments affected by COVID-19. Hopefully this will not be permanent. In addition, there has been a long term shift in Emerging Markets towards technology and internet companies which are low income investments. The payment of a 17.0¢ dividend will require withdrawal of \$20.6m of which \$3.1m will be funded from the Fund's brought forward revenue reserves.

A new Investment Management Agreement was entered into between Genesis Investment Management, LLP and the Fund effective from 30 June 2019 and the management fee payable was reduced slightly to 0.90% of net asset value ('NAV') of the Fund per annum. The Board continue to monitor the appropriateness of the fee paid to the Investment Manager and considers that such a fee level in relation to the peer group of similar closed end funds is currently appropriate.

## Discount

The discount of the share price to NAV per Participating Preference Share at the end of the period was 12.8%. The average level of the discount over the 12 months was 11.5% and has fluctuated between 8.5% and 18.5%. 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 – which continues to move broadly in line with the associated peer group. Marketing activity continues to be 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. Despite lockdown constraints, the Investment Manager has continued to meet with existing and potential shareholders in a virtual fashion. In addition, a series of video interviews with portfolio managers was initiated towards the end of the Fund's financial year. These interviews will give shareholders an opportunity to learn more about the Investment Manager's approach to portfolio management and the asset class.

As previously announced, the Board intends that if the Fund's NAV Total Return over 5 years ending 30 June 2021 does not exceed the Fund's benchmark NAV Total Return, the Fund will undertake a 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 2020, Torsten Koster was appointed as an independent Non-Executive Director with effect from 1 July 2020. Mr Koster has over 30 years' experience working for large multi-national companies, including several positions as Chief Financial Officer among which Nestle Russia and Eurasia and Nestle Nespresso. The retirement of Saffet Karpat at the forthcoming AGM is noted, with the Board thanking him for nine years of excellent service. Shareholders will have the opportunity to approve Mr Koster'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 still 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

This year's AGM will be held on Monday, 2 November 2020 at 10:30 a.m. at the registered office of the Fund. However, in consideration of the wellbeing of the Fund's shareholders and in light of Government guidance around social distancing and travel restrictions, the Board, in conjunction with the Company Secretary, have made the decision that shareholders will not be permitted to attend this year's AGM in person.

In advance of the AGM a short presentation by the Investment Manager on the performance of the Fund over the past year will be made available on the Fund's website at [www.genesisemf.co.uk](http://www.genesisemf.co.uk).

Electronic proxy voting is now available and shareholders are encouraged to submit voting instructions using the web-based voting facility at [www.eproxyappointment.com](http://www.eproxyappointment.com) and [www.proxymity.io](http://www.proxymity.io) for institutional shareholders. In order to use electronic proxy voting, shareholders will require their shareholder registration number, control number and pin. If you do not have access to these details

please contact the Company's Registrar, Computershare, their contact details can be found on page 75 of this report.

At the end of the Annual Report is the notice convening the AGM, 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 be invited to the Fund's annual Shareholder Information Meeting which this year will take place remotely on Tuesday, 3 November 2020. We hope that as many shareholders as possible will take this opportunity to hear directly from representatives of the Investment Manager. In general, the Investment 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 be available to 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 Investment Manager or the Company Secretary at the addresses on page 75 of this Report.

## Outlook

Given the magnitude of the global pandemic, the Investment Manager expects continued challenges over the short to medium term. The impact on economies and businesses will vary considerably across emerging markets. We are reminded by the Investment Manager of its bottom-up and long-term approach to investing, applying a rigorous investment process to populate the portfolio with quality businesses at attractive prices. While the pandemic has resulted in short-term relative underperformance, the resultant volatility has allowed the Investment Manager to upgrade the quality of the portfolio.

We continue to share the Investment Manager's confidence in the high quality of the companies invested in by the Fund, and its potential to generate returns for shareholders over the next several years. As we have noted on previous occasions, the challenging global environment provides an excellent opportunity for good businesses to outperform their peers and gain market share.

Stock selection remains a key skill in such an environment, and the Board believes that the Investment Manager's team approach and challenging process will generate the long-term returns that our shareholders expect.

### Hélène Ploix

Chairman

5 October 2020

# Strategy, Business Model and Principal Risks

## Investment Objective

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

## Investment Strategy

The core element of our investment 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 Investment 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 June 1989 and commenced business on 19 September 1989.

Reviews of the Fund's activities are included in the Chairman's Statement on pages 4 to 5 and Investment Manager's Review on pages 18 to 21.

There has been no significant change in the activities of the Fund during the year to 30 June 2020 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. There are therefore no disclosures to be made in respect of employees.

During the year under review Genesis Investment Management, 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 Investment 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 Investment 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 96 holdings (currently representing some 30 different countries), to give a range of 7-9 per team member. The Investment Manager believes that when its team concentrates on a smaller number of ideas, the research can be deeper and insights more valuable.

The portfolio comprises holdings in predominantly high-quality, sustainable businesses, both large and small. As part of their analysis the Investment 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. 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 Investment 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 Investment Manager is comfortable buying into relatively illiquid situations and building positions gradually. In the Investment 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 June 2019 and 2020, it was slightly higher).

There is no specific company market capitalisation range in which the Investment 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 and companies, many of which are not represented in the standard indices. The Investment Manager aims to retain as much flexibility as possible with respect to portfolio constraints.

Because the Investment 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 related investment companies, Participatory notes and Investee Funds, where appropriate. Details of the Fund's portfolio are shown on pages 28 to 32.

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(m)).

## Benchmark Index

The Fund's benchmark is the MSCI Emerging Markets (Total Return) Index.

## Principal & Emerging Risks and Risk Management

The Board has carried out a robust assessment of the Fund's principal and emerging risks. The main risks to the value of its assets arising from the Fund's investment in financial instruments (principally equity securities) are unanticipated adverse changes in market prices and foreign currency exchange rates and an absence of liquidity. The Board reviews and agrees with the Investment Manager policies for managing each of these risks and they are summarised below. 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.

### COVID-19 pandemic

The COVID-19 pandemic poses additional risks to the Fund beyond those risks described above. They include liquidity risks to markets, risks associated with the maintenance of the current dividend policy and business continuity risks for the Investment Manager and the Fund's key service providers. The day-to-day management and monitoring of these risks is carried out by the Investment Manager.

### Custody risk and cyber security

The Fund is 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 Investment Manager under policies approved by the Board.

The risk represented by breaches in cyber security is carefully monitored by the Investment 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.

# Strategy, Business Model and Principal Risks

continued

## 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 Investment 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 Investment Manager. Loss of the Investment Manager's key employees could affect investment returns. The Board is aware that Genesis 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 36 of the Code of Corporate Governance as issued by the Association of Investment Companies in February 2019 (the 'AIC Code'), the Board has conducted a robust assessment of the viability of the Fund over the next three years to 30 June 2023 – this is beyond the twelve month period from the date of approval of the financial statements as required by the going concern basis of accounting. The Board considers that a three year period

is appropriate to assess the viability of the Fund given the inherent uncertainty in 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 & emerging risks that may affect the Fund, details of which can be found above.

In addition, the Board has discussed and considered the ongoing impact that the COVID-19 pandemic may have on equity markets and the resultant effect on the valuation of the Fund, income receipts and the liquidity of the portfolio.

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 37% over the last twelve months. These attributes reflect the Investment 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 Investment 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.
- The Investment Manager and the Fund's other key service providers have the required controls in place to ensure that they can continue to provide their services to the Fund.
- No operational issues have arisen as a result of the COVID-19 pandemic with the Investment Manager and all key service providers are continuing to service the Fund in line with service level agreements.
- 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 2 and 3.

### Diversity

The Fund's policy on board diversity is included in the Nomination Committee's Report on page 43.

### 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 ('PM') 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.

Genesis released its first annual ESG report earlier this year and it can be found on their website, [www.giml.co.uk](http://www.giml.co.uk). The ESG report contains more information on ESG integration in the portfolio as well as the Investment Manager's approach to stewardship and a qualitative review of the top ten portfolio positions including the company-level ESG metrics.

### Duty to promote the success of the Fund

Under section 172 of the UK Companies Act 2006, a director of a company must act in a way he/she considers, in good faith, would be most likely to promote the success of the

company for the benefit of its members as a whole, and in doing so have regard (amongst other things) to:

- the likely consequences of their decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed investment company, the Fund has no employees or physical assets. The key stakeholders in the Fund are its shareholders, the Investment Manager and third party service providers.

The Board is responsible for promoting the long-term success of the Fund for the benefit of all stakeholders and in particular its shareholders. Although the majority of the day-to-day activities of the Fund are delegated to the Investment Manager and third party service providers, the responsibilities of the Board are set out in the schedule of matters reserved for the Board and the relevant terms of reference of its committees, all of which are reviewed regularly by the Board.

To ensure that the Board is able to discharge this duty, both the Investment Manager and key third party service providers are required to provide the Board with regular updates. In addition, Directors, or the Board as a whole, have the authority to seek advice from professional advisers including the Company Secretary and independent external advisers as well as attend any relevant training seminars.

The investment management function is critical to the long-term success of the Fund. The Board monitors the performance of the Investment Manager against key performance indicators. The Board receives updates from the Investment Manager on the performance of the Fund at each Board meeting with additional performance updates being provided on a monthly basis. In addition to performance updates, the Board receives regular updates on the marketing of the Fund from both the Investment Manager and the Fund's brokers. As part of these updates the Board receives and considers feedback from its shareholders.

The Investment Manager and the Fund's corporate brokers hold periodic meetings with the Fund's major shareholders to discuss aspects of the Fund's positioning, performance and outlook. Members of the Board are always available to attend meetings with shareholders upon request.

# Strategy, Business Model and Principal Risks

continued

The Board also receives updates from its key third party service providers at each Board meeting, the main purpose of which is to ensure that the services provided to the Fund remain in line with expectations and are to the benefit of its shareholders.

The Board also considers the impact of the Fund's decisions on the environment and the community. The Board receives updates on ESG matters from the Investment Manager and discusses how ESG factors are taken into account by the Investment Manager as part of its selection process of investee companies.

The Board recognises the need for good communications with its shareholders and is committed to listening to their views. The primary medium through which the Fund communicates with shareholders is through its Annual and Half Year Financial Reports. The Investment Manager also produces monthly factsheets and quarterly shareholder letters. Fund related announcements are released via the Regulatory News Service ('RNS') to the London Stock Exchange. All of the aforementioned information is available on the Fund's website, [www.genesisemf.co.uk](http://www.genesisemf.co.uk).

In addition to the annual general meeting, all shareholders are invited to attend the Fund's annual information meeting. This provides shareholders with the opportunity to interact directly with the Board.

The Board always welcomes questions from shareholders; we can be reached via either the Investment Manager or the Company Secretary at the addresses on page 75 of this report.

During the year under review the following material decisions have been made:

- The Board undertook a review of the potential use of gearing to ascertain whether it would be beneficial to shareholders to utilise gearing in order to increase investment performance. After due discussion and having considered various financing options and back testing of returns, the Board was in agreement that the risk associated with utilising gearing outweighed the potential additional returns that could be achieved;
- Marketing has continued 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;

- Appointment of Jefferies International Limited as joint corporate broker; and
- The Board undertook a review of the composition of the Board and its committees to ensure that there was the necessary combination of skills, experience and knowledge. The Board was also mindful of the need to refresh the Board in compliance with the AIC Code. As a result of the review Mr Torsten Koster was appointed as a Director of the Fund with effect from 1 July 2020 and, it was agreed that Mr Karpat, having served as a Director of the Fund for nine years will retire from his position following the conclusion of the 2020 AGM.

COVID-19 related:

- The Investment Manager was requested to keep the Board apprised of any potential issues affecting the investee companies of the portfolio;
- The Investment Manager was requested to review dividend receipts to ascertain whether there would be any impact on the Fund's income for the year ended 30 June 2020, which could potentially affect the Fund's dividend policy and the proposed final dividend; and
- The Investment Manager was requested to increase the frequency of its monitoring of the Fund's third party service providers to ensure continuity of operational functions.

The Board is committed to the long term success of the Fund for the benefit of its shareholders, however in doing so it also has regard to the impact of its actions on all of its stakeholders. The Board takes into account section 172 considerations in all material decisions of the Fund.

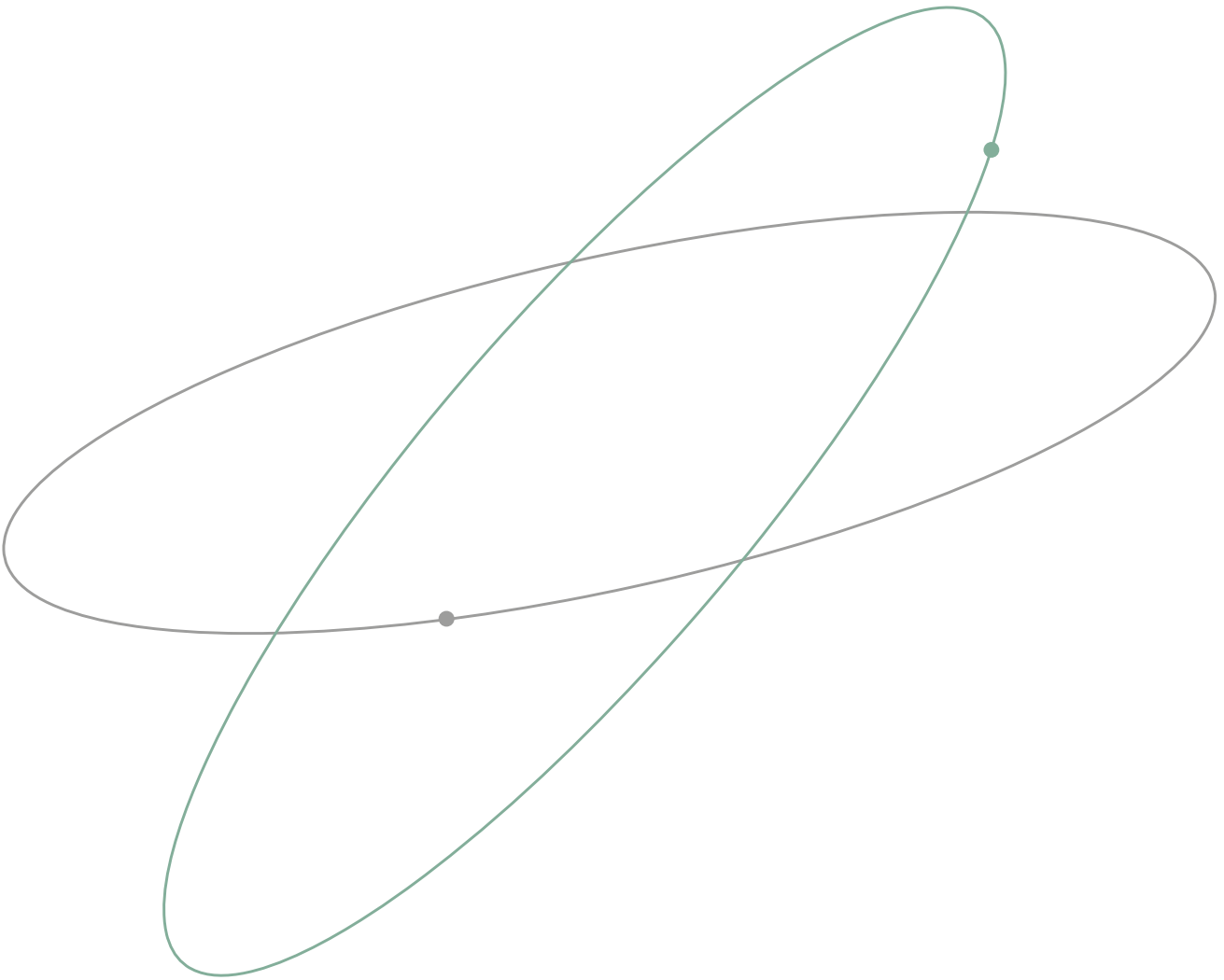
Signed on behalf of the Board

**Hélène Ploix**

5 October 2020



# ● Portfolio Report



# Investment Manager

## We aim to generate excellent long-term investment performance in Emerging Markets equities.

Genesis was founded in 1989 and is currently owner-managed by ten individual Partners and Affiliated Managers Group, Inc. Located in a single office in London, Genesis has 66 permanent members of staff including the Partners.

As a boutique asset manager, Genesis has focused on global Emerging Markets ('EM') equities for over 30 years. We have a single investment strategy, and the resulting portfolio is managed by ten PMs. Nine of the Partners are PMs; the remaining Partner is the managing director responsible for non-investment matters.

As of 30 June 2020, Genesis had US\$ 17.3 billion in assets under management ('AUM'), all managed with the same strategy and accessed through five commingled vehicles, ten segregated mandates and GEMF, the UK-listed Investment Trust.

Over the last 30 years, we have generated 3% alpha per annum over the MSCI EM (TR) Index.

We believe that we can best deliver excellent investment performance by working as a team making long-term investments in quality businesses at attractive prices. Our competitive edge is the unique combination of the four pillars of our business: our aligned client base, our non-hierarchical partnership structure, our investment philosophy and collaborative investment process, and our diverse and experienced team.



### OUTPERFORMANCE

c.300bps per annum over 30 years<sup>(1)</sup>

#### CLIENTS

- Sophisticated asset owners.
- Long-term relationships.
- Prudent AUM management

#### PARTNERSHIP STRUCTURE

- Owner-managed.
- Single investment strategy.
- Culture of excellence, teamwork, openness and humility.

#### PHILOSOPHY & PROCESS

- Long-term investments in quality businesses at attractive prices.
- Collaborative process with individual accountability.
- Deep fundamental research.

#### PEOPLE

- Diverse group of skilled & experienced investors. Enduring personal interest in EMs.
- Well-resourced organisation.

<sup>(1)</sup> Based on Genesis Global Emerging Markets Equity Composite (gross of annual fees) vs. MSCI EM (TR) Index.

# Our Values

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Our values are the backbone of everything we do as an organisation, reflecting our culture and fundamental beliefs.

We aim to generate excellent long-term investment performance in Emerging Market equities. In doing so, we will uphold our values and consider the interests of all stakeholders.



- We strive for excellence in everything we do.
- We put our clients' interests first.
- We seek constant improvement.



- We work collaboratively to accomplish more than we can alone.
- We share knowledge, expertise and relationships with our colleagues.
- We support each other to develop and learn.



- We continually question our views and welcome constructive challenge.
- We are honest with ourselves and each other.
- We embrace diverse thinking styles, experience and skills.

# Investment Philosophy and Process

We believe we can best deliver excellent long-term investment performance by working as a team to make investments in quality businesses at attractive prices.

We believe investing in emerging markets can capture the fast growth potential of the economic development process. We include in our opportunity set companies domiciled in low- and middle-income countries as defined by the World Bank as well as the high income but still developing economies in the major EM benchmark indices. We also include companies based in major markets that generate a significant proportion of their revenues, profits or cash flow from emerging markets when we feel we have an edge in understanding them.

We believe our fundamental, research-led process allows us to identify these interesting areas of growth and benefit from the mispricing that can arise when companies are not well understood. As long-term investors, we think that understanding a company's business practices and impact on all stakeholders is integral to assessing the quality and value of a company. By stakeholders we mean the environment, society, a company's employees and its shareholders.

## Investment Process

**Our investment process is structured to enable an experienced team of PMs to generate fundamental research insights and, subject to rigorous challenge from each other, express those insights in the Portfolio<sup>†</sup>.**

Our stock selection and portfolio construction processes are bottom-up. Each stock in the Portfolio has a Lead PM and a Back-up PM that work on an investment together. The Back-up PM, country team members, and Sector Specialist are usually the primary challengers of the Lead PM during the initial investment analysis, while the rest of the Investment Team formally contributes when the stock is proposed for inclusion in the Portfolio. Thereafter comment and collaboration are encouraged from all team members throughout the life of an investment.

The PMs are coordinated by the Portfolio Coordination Team ('PCT'), which comprises three PMs (one rotating and two permanent members) as well as an Independent Investment Risk Manager. One of the permanent PM members is the Chair, and the other is one of our Managing Partners. The non-permanent member rotates on a 12-18 months basis amongst the PMs. The independent Investment Risk Manager provides an unbiased perspective on the risk profile of the Portfolio, advising the PCT but reporting separately to the Managing Director and Genesis Risk Committee. The PCT coordinates the team and the portfolio holdings by:

- Ensuring the investment process is followed as PCT approval is required for all buy/sell orders;
- Analysing the portfolio risk/return characteristics and providing insight to the PMs to help them decide position weights;
- Organising portfolio-level discussions, including quarterly portfolio weeks, process improvement offsites, sector research and macro discussions.

Although any position changes in the Portfolio require PCT approval, the investment decision for each position is made by the Lead PM. The research process and decision-making are collaborative, but we are not aiming for a consensus. Disagreements and challenges are discussed in smaller groups or within the team and recorded; PMs are expected to address all challenges prior to portfolio action.

**When a Lead PM builds conviction on a new investment idea, an Investment Case including a Quality Rating and a Valuation Model are shared with the entire Investment Team. The team is expected to revert with constructive challenge and feedback.**

- An Investment Case includes a short description of the business, the investment thesis and risks, a quality rating with explanation, an analysis of valuation and dispersion of returns and a record of the discussion generated by challenge from the team and continually updated throughout the life of the investment.
- The Quality Rating (A, B, or C) is a blended measure that incorporates the company's sustainable excess returns on capital, i.e. its moat, the risk of negative net present value revisions in US dollars including the impact of macro and political risks, management quality, and the impact of material ESG factors on the sustainability of the business. The Quality Rating informs the position weighting decision.
- The Valuation Model is based on our 5-year cashflow forecast for a business (or dividends for a bank) and discounts the cashflows using a risk-adjusted discount rate to calculate the net present value and expected return in US dollars; and includes a dispersion of outcomes in base, bull and bear case scenarios. We compare the base case and dispersion around it with the current stock price to determine the relative attractiveness of the investment.

<sup>†</sup> Portfolio refers to the representative portfolio, which may be adjusted for relevant investment restrictions per commingled vehicle or segregated mandate.



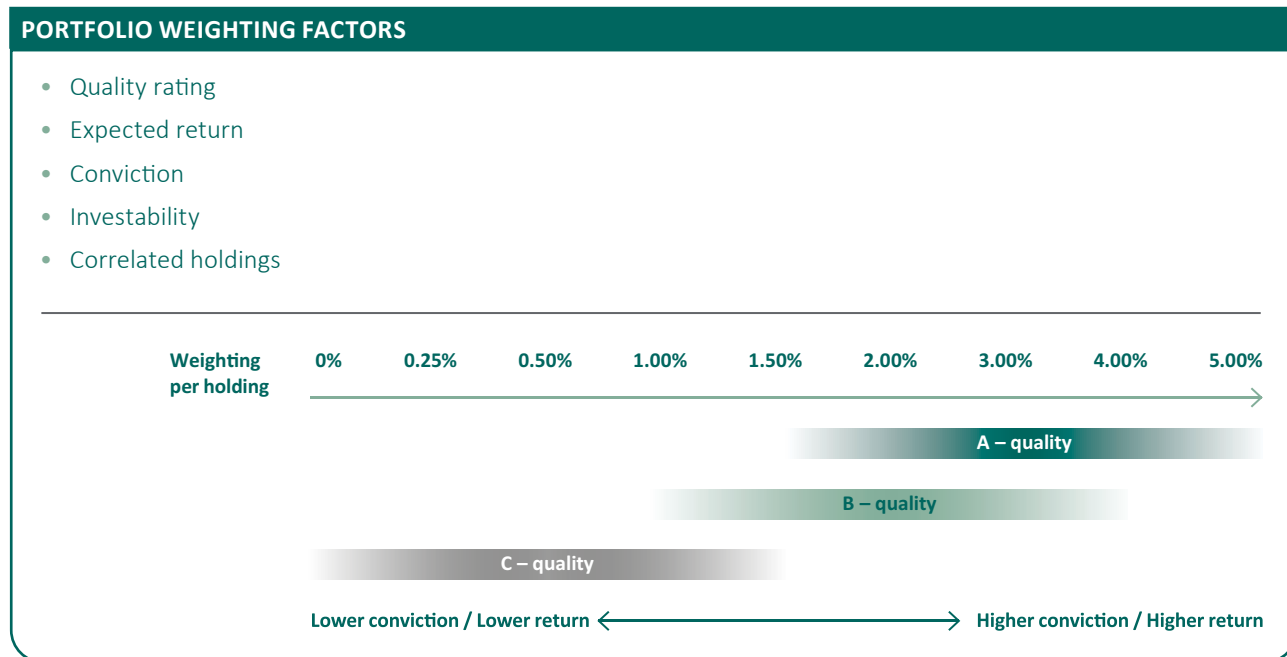
## A key stage of the investment process is the constructive challenge from the Investment Team.

The Sector Specialists give an industry-specific global context, which not only informs the investment work but also helps calibrate quality ratings across companies in the same sector globally. Sector Specialists also develop the framework for assessing the relevant ESG factors in their industry, which informs the discussion on the sustainability of returns.

PMs consider five factors in their position sizing decisions, including the quality rating of the company, expected return in US dollars, conviction, investability (i.e. liquidity) of the stock, and the correlated risks at the portfolio level. The quality of a company is likely to be a significant determinant of its long-term performance, and to properly reflect this we have codified the linkage between quality and position sizing, limiting the weighting of a lower quality company in the Portfolio.

Investment decisions are based on fundamental research and quantitative valuation models, so the process is bottom-up and benchmark agnostic. Relative positioning is therefore an outcome of the process, not an input into

the process. We also use external research to inform our assessment of the quality of the companies and our understanding of the environment they operate in. Understanding the operating environment is crucial for any company anywhere, but in the EM, macroeconomic issues and changes in the political economy may show up in exchange rate volatility, which would impact our US dollar-based expected returns. Therefore, while we are not macro analysts, we regularly discuss underlying macro currents led by our Joined-up Thinking ('JUT') group, which is the forum for sharing and co-ordinating macro information that keeps our investment views consistent and balanced.



# Investment Team

The Genesis investment team is non-hierarchical. Each team member is primarily an analyst, and most are also PMs, responsible for the stock positions in the Portfolio.



Arindam Bhattacharjee

**Managing Partner, PM & Permanent Member of the PCT**

Joined Genesis in 2008  
29 years investment experience

- Previously, Partner at Emerging Markets Management in Washington, DC
- Bachelor's in Economics from Davidson College, NC, and an MBA from The American University, Washington, DC. CFA Charterholder



Rufus Frazier

**Partner, PM & Chair of the PCT**

Joined Genesis in 2013  
15 years investment experience

- Previously, Portfolio Manager at Fidelity International in Hong Kong and London
- Bachelor's in International Relations from Pomona College, CA, a postgraduate certificate in Chinese and American studies from Johns Hopkins University, and an MBA from Columbia Business School. CFA Charterholder



Catherine Vlasto

**Managing Partner & PM**

Joined Genesis in 1995  
31 years investment experience

- Previously, Investment Analyst at Robert Fleming
- Bachelor's in English Language and Literature from the University of Bristol



Xing Hu

**Associate Partner & PM**

Joined Genesis in 2018  
10 years investment experience

- Previously, Portfolio Manager at Fidelity International, based in Hong Kong and London
- Bachelor's in Finance and Actuarial Science from the University of New South Wales, and an MBA from the University of Chicago Booth School of Business. CFA Charterholder



Andrew Elder

**Partner & Chair of the Genesis Operating Board**

Joined Genesis in 2002  
27 years investment experience

- Previously, Head of Europe, Middle East & Africa Equities at Aberdeen Asset Management
- Bachelor's in Economics from the University of Cape Town



Richard Mather

**Partner, PM & Member of the PCT**

Joined Genesis in 2013  
7 years investment experience

- Previously, at SABMiller in strategy and financial analysis, based in South Africa, India and Hong Kong
- Bachelor's in Business Science from the University of Cape Town, a Masters in Finance from EDHEC Business School, and an Executive MBA from Cambridge University

Note: 'Investment Experience' as at 30 June 2020



## Sebastian Peters

### Partner & PM

Joined Genesis in 2016  
*10 years investment experience*

- Previously, Research Analyst at Praesidium Investment Management in New York
- Bachelor's in Mechanical Engineering from Vanderbilt University, and an MBA from Columbia Business School



## Yiyong Yang

### Partner & PM

Joined Genesis in 2004  
*17 years investment experience*

- Previously, at the Bank of China in the Global Capital Markets Department
- Bachelor's from Nanjing University and a Masters in Finance from London Business School



## Karen Roydon

### Partner & PM

Joined Genesis in 2006  
*18 years investment experience*

- Previously, Analyst at Merrill Lynch Investment Managers
- Bachelor's in Politics, Philosophy and Economics from St Anne's College, Oxford University, and a Masters in Economics from Brasenose College, Oxford University. CFA Charterholder



## Michael Chi

### Analyst

Joined Genesis in 2017  
*3 years investment experience*

- Previously, at Deutsche Bank in corporate strategy and M&A
- Bachelor's in Materials Science and Engineering from Imperial College, London, and a Masters in Finance from Cambridge University



## Mario Solari

### Partner & PM

Joined Genesis in 2014  
*16 years investment experience*

- Previously, Portfolio Manager at Moneda Asset Management in New York and Santiago
- Bachelor's in Finance and Economics from the Pontificia Universidad Católica de Chile, and an MBA from Columbia Business School



## Yash Sidana

### Analyst

Joined Genesis in 2018  
*4 years investment experience*

- Previously, Investment Analyst at Westbridge Capital Partners in India, and Associate at the Boston Consulting Group also in India
- Bachelor's and Masters in Technology from the Indian Institute of Technology, and an MBA from London Business School

Note: 'Investment Experience' as at 30 June 2020

# Investment Manager's Review

## Investment Environment

The Fund's financial year was characterised by two distinct periods: the period before the emergence of the COVID-19 global pandemic, and after, when the gravity of the situation dawned on investors. During the first, lasting until February, the asset class edged close to the all-time highs of January 2018, buoyed by the easing of trade tensions and reduced fears of a global recession. Unsurprisingly, the second saw volatility increase markedly as the asset class gyrated on good and bad news related to both the pandemic and trade tensions between the US and China.

In the first, more benign period, the Fund performed well relative to the MSCI EM (TR) Index, adding value through security selection in markets such as South Korea, South Africa and Brazil. The Fund is a well-diversified portfolio of quality businesses. Overall, they have very little debt, and we have also been careful to limit the exposure to financially precarious countries. While we would generally expect the Fund to fare better than a steeply declining market, that was not the case during the second period noted above. The main reason is that we have relatively fewer investments in the countries that have so far managed the COVID-19 threat best: China, South Korea and Taiwan. It is not an outcome we would have predicted but these three countries have been more proactive in testing and contact tracing than those in other EM or indeed most of the world. That said, a key next question is the degree to which falling global demand for manufactured exports will undermine hopes for a rapid economic rebound in China, South Korea and Taiwan. A further question is whether domestic demand within China can be maintained.

In this turbulent and highly unusual environment, the Fund's NAV marginally underperformed the Index in sterling terms over the 12-month period, losing 0.8% versus a flat return for the Index.

## Performance

### Contributors – Markets

The leading contributor to relative performance over the period was Brazil. As a market with pre-existing macroeconomic vulnerabilities – thereby making it harder to call on fiscal or monetary policy for support – Brazil had been hit hard by the impact from the COVID-19 pandemic. The Fund benefitted from having half the exposure compared to the index, while the Fund's holdings also fared slightly better, largely due to the performance of software company Totvs (+66% until it was sold in February) and health care provider Intermédica (+22%).

Significant value was also added from the performance of South Korean search engine Naver. It has been the stellar performer over the period with its share price more than doubling following continued positive sentiment both within its sector, as digital businesses reaped the rewards of people staying at home in lockdown, and on its link up with Yahoo Japan. Stock selection was also the major factor in the weak South African market where our position in global internet company Naspers (+16%) was a notable performer.

### Contributors – Sectors

Substantial gains came from Fund's underweight to the weak energy sector. COVID-19 has meant that oil markets have seen a shock to both demand and supply. On the demand side, slower activity and environmental concerns reduces the global need for energy and transportation, while on the supply side Russia and Saudi Arabia were pursuing a price war initiated in early March. The Fund added further value from stock selection in financials and communication services. In the latter, internet company Yandex (+36%), a non-index position, announced it was buying out Sberbank's stake from its increasingly difficult ecommerce joint venture, complementing returns achieved by Naver and NetEase (+79%).

### Detractors – Markets

Sizeable value was lost in the strong Taiwanese market, which managed the COVID-19 pandemic relatively well due to its high levels of testing and contact tracing, and benefits from a comparatively more robust economy. The Fund was hurt by its underweight position in a market where the tech hardware companies outperformed, even though the large holding in TSMC gained 47%.

It was a similar story in China where value was also lost from the significant underweight position. China, the epicentre of the COVID-19 outbreak, was perhaps surprisingly the least impacted in terms of market performance. Digital businesses have been strong performers due to a boost in user engagement during the periods of lockdown. Large holdings such as Tencent and Alibaba have risen by 47% and 31% respectively, but the Fund is underweight in these positions relative to the index. It should be noted that in aggregate the Fund's holdings in China outperformed the MSCI country benchmark with the large active positions of *baijiu* producer Wuliangye (+47%), private tutoring company New Oriental Education (+39%) and gaming company NetEase, all strong performers.

The Fund's holding in LatAm telco LiLAC has also been a notable underperformer as its operating markets were hit hard by COVID-19.

## Detractors – Sectors

The sector contributors noted previously were offset by losses from the Fund's underweight in the strong IT sector, with the performance of the Taiwanese tech hardware companies a major factor. The Fund also suffered sizeable losses in the health care sector: Brazilian

dental care service provider OdontoPrev fell 43%; Thai health care provider Bangkok Dusit lost 9%; and in China the Fund's holdings in CSPC Pharmaceutical (-13%) and 3SBio (-24%) underperformed the Chinese health care index constituents, which rose by 65%.

## Relative Performance Attribution in GBP – 12 months to 30 June 2020

### GEMF vs. MSCI EM (TR) Index

Top 10 Stock Contributors	%
Naver (South Korea)	1.21
Wuliangye Yibin (China)	0.89
New Oriental Education (China)	0.63
Yandex (Russia)	0.58
NetEase (China)	0.48
<i>Banco Bradesco (Brazil)</i>	<i>0.46</i>
<i>Petrobras (Brazil)</i>	<i>0.44</i>
Sunny Optical (China)	0.33
Hikma Pharmaceuticals (Jordan)	0.30
Delivery Hero (Germany)	0.27

Top 10 Stock Detractors	%
Tencent (China)	(0.83)
Sberbank (Russia)	(0.77)
Axis Bank (India)	(0.74)
LiLAC (Latin America)	(0.65)
TSMC (Taiwan)	(0.44)
Credicorp (Peru)	(0.43)
<i>JD.com (China)</i>	<i>(0.41)</i>
Kangwon Land (South Korea)	(0.36)
<i>Meituan Dianping (China)</i>	<i>(0.33)</i>
BB Seguridade (Brazil)	(0.31)

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

Sector	%
Energy	1.58
Financials	0.46
Communication Services	0.44
Utilities	0.42
Consumer Staples	0.39
Industrials	0.38
Materials	0.35
Real Estate	0.20
Investment Companies	0.03
Consumer Discretionary	(0.59)
Health Care	(1.29)
IT	(1.67)

Top 5 Country Contributors	%
Brazil	1.78
South Africa	1.10
South Korea	1.06
Saudi Arabia	0.58
United Arab Emirates	0.33

Top 5 Country Detractors	%
Taiwan	(1.68)
China	(1.51)
Peru	(0.40)
India	(0.38)
Nigeria	(0.35)

Source: Calculated by FactSet

# Investment Manager's Review

continued

## Portfolio Activity

Although volatility can be alarming to asset owners in the short term, it provides a great opportunity to Managers such as us who invest with a long-term horizon. The heightened volatility during the pandemic allowed us to upgrade the quality of the portfolio at relatively attractive prices.

Purchases and sales were dominated by China, with a small addition the net result. Purchase activity saw the addition of six new holdings, including domestic sportswear company Anta, pharmaceutical company CSPC, property management service provider Country Garden Services and school tutoring provider TAL Education. The majority of purchases came from building the position in Tencent as the switch from Naspers – a South African internet group that derives most of its value from its investment in Tencent – continued as the relative discount remained attractive. An additional investment in Tencent was made following the reduction of Prosus, a Naspers spin-off which consists of its internet interests outside South Africa. There were also additions to food producer WH Group, which benefitted from the outbreak of African Swine Fever among China's pig population.

The largest reduction came from insurer AIA due to concerns over the impact of pro-democracy protests in Hong Kong and rising tensions with China. The positions in New Oriental Education and *baijiu* producer Wuliangye were notably trimmed following their strong performance. The position in 58.com, China's largest online marketplace for classifieds, also saw a notable reduction as a privatisation offer was finalised and its share price climbed close to the offer price. The bidding group, which includes the CEO, controls 44% of the vote. We believe this action is opportunistic and the offer price is insufficient. In August the Fund elected to dissent against the transaction with a view to achieving a more favourable outcome for shareholders.

In China, five positions were sold, including internet company Momo which was sold following increased regulation surrounding mobile apps in China. AAC Technologies also exited the portfolio along with Fuyao Glass, Midea and Weibo.

India saw significant purchase activity as the position in Infosys was increased as a whistleblower's allegations against management were rebuffed. Infosys' IT services counterpart Tata Consultancy Services was also added

to, as was the position in electrical goods company Crompton Greaves. As an example of opportunistically increasing the quality of the portfolio, there was some switching amongst the banks as the high quality HDFC Bank saw an increase as Axis Bank was reduced towards the end of the period. The position in Sun Pharmaceutical was also substantially reduced following strong share price performance in April. South Korea saw the largest net reductions over the period as positions were reduced following strong share price performance, most notably Naver and tech hardware behemoth Samsung Electronics, while Shinhan Financial and GS Retail exited the Fund.

Elsewhere, a number of higher quality positions from the consumer sector saw increases, including Bid Corp (South Africa), Richemont and Heineken. For the latter two, emerging market consumers are the source of the majority of sales but these companies are not represented in the MSCI EM Index. A few bank holdings were topped up, notably Credicorp (Peru) and OTP Bank (Hungary), while TSMC (Taiwan) and Kangwon Land (South Korea) were also added to. Other new holdings introduced during the period included Mexican toll road operator Pinfra, Russian fintech company TCS Group and Opera, a browser and online advertising company. Opera's digital content platform, Opera News, now has >200 million users in Africa and Southeast Asia, a 28% increase year-on-year. Delivery Hero was reintroduced to the portfolio as concerns surrounding its Korean acquisition were addressed.

Turning to sales, there was notable activity in Brazil as the positions in BTG Pactual and Totvs were reduced following strong performance. Lojas Americanas exited the Fund, having significantly underdelivered on its guidance. In Turkey, the position in Garanti Bank was sold, with the majority of the holding reduced during the third quarter following a 6-week 50% share price recovery, due to increased political uncertainty and continuing macroeconomic risks. A number of smaller Turkish positions were sold later in the period largely due to continued concerns on the market's macro vulnerabilities. Other positions to exit the portfolio included retailer Jeronimo Martins (Poland) which exited the Fund following reduced conviction in its Colombia operation and Commercial International Bank due to uncertainty over the macro environment in Egypt. Central Pattana, the Thai shopping mall operator was sold after 14 years in the Fund as the switch to online retail accelerated during the pandemic.

At the end of the period there were 96 holdings in the Fund, with 14 new positions and 30 sold. At 30 June 2020, Active Share<sup>(1)</sup> – a measure of how different the portfolio is to the benchmark – was 73%.

## Outlook

With the current ongoing pandemic we expect continued challenges into 2021, and a relatively weak recovery as health concerns linger. As we review our EM companies, this is the global environment we are assuming as a base case. The effects on economies and individual businesses will vary greatly. We are continuing our active investment strategy of undertaking deep fundamental research to unearth long-term investments in quality businesses at attractive prices.

Across Genesis' 30 year history, we have experienced other big crises (in addition to this crisis) but we remain bullish on the long-term opportunity in EM. The long-term growth outlook is compelling considering the demographics and income convergence opportunities, and our markets are often inefficiently priced – and we believe this is particularly the case today. We seek to identify a diverse group of quality companies and combine them into an attractive portfolio offering good long-term returns.

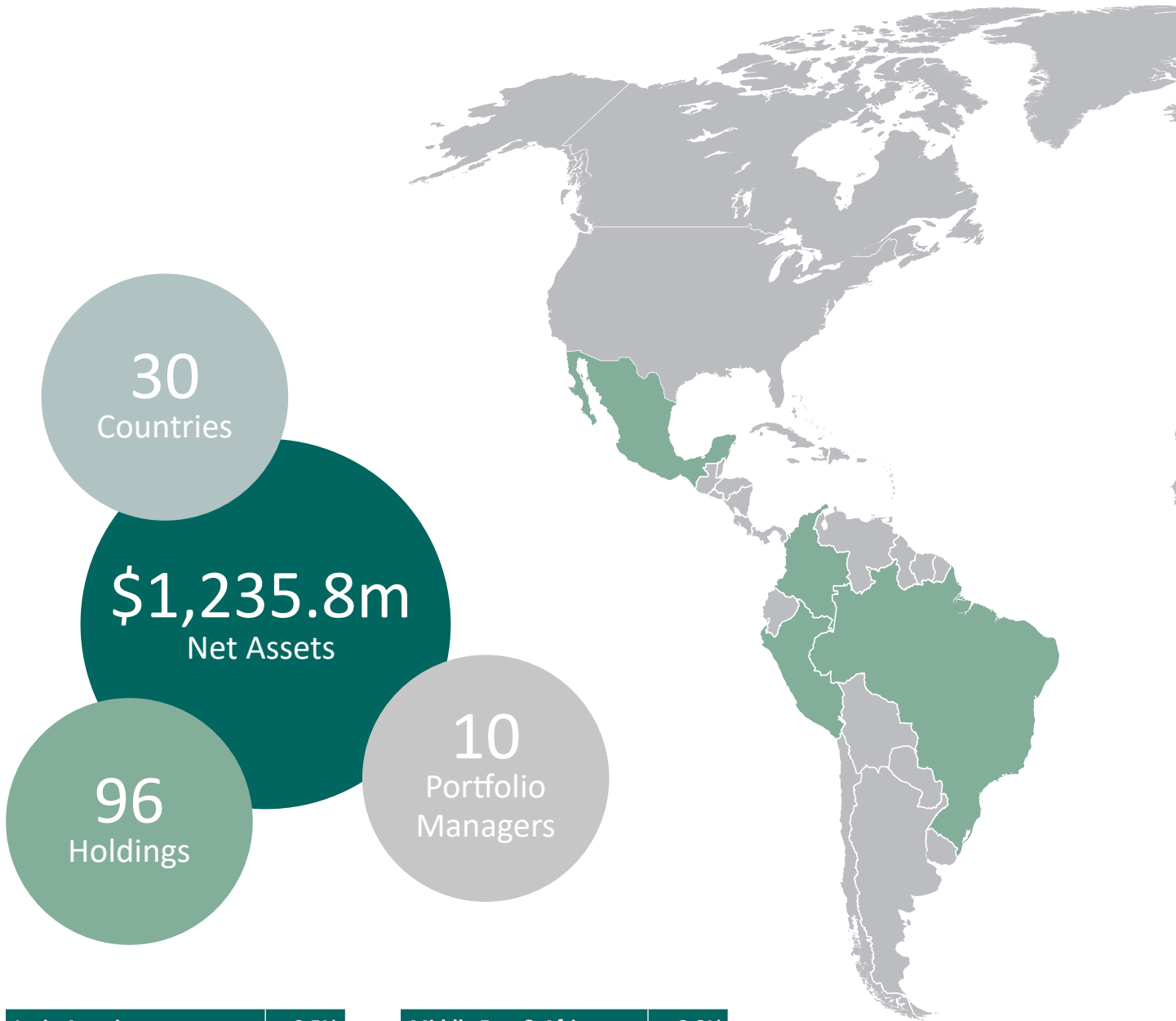
### Genesis Investment Management, LLP

October 2020

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

# Geographical Diversification

as at 30 June 2020

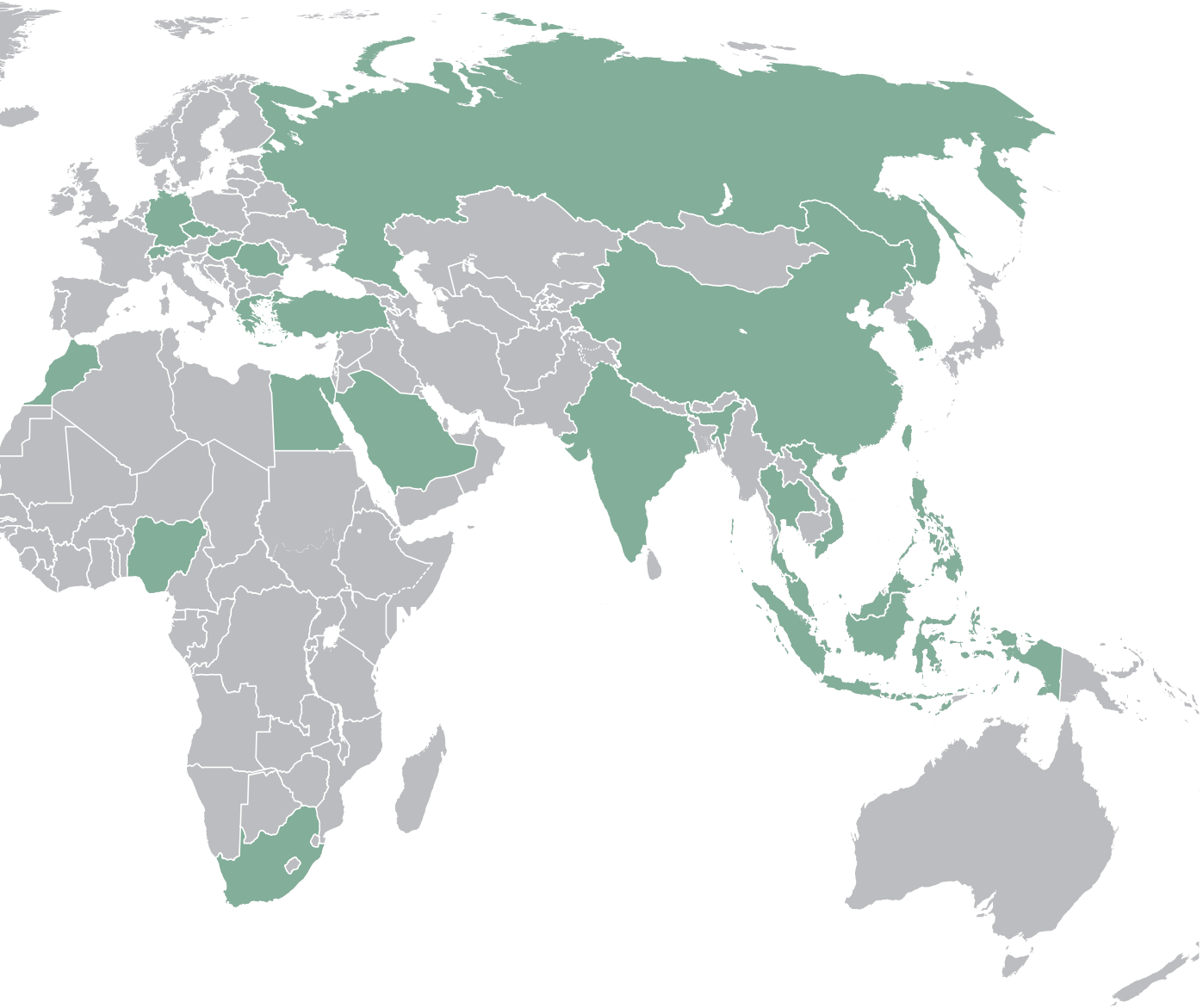


Latin America	9.5%
Mexico	4.1%
Brazil	2.9%
Peru	1.1%
<i>Other*</i>	0.8%
Colombia	0.5%

Middle East & Africa	8.8%
South Africa	5.6%
Nigeria	1.4%
Jordan	0.8%
Saudi Arabia	0.5%
Mauritius	0.3%
Egypt	0.1%
Morocco	0.0%

\* Includes US-listed LiLAC



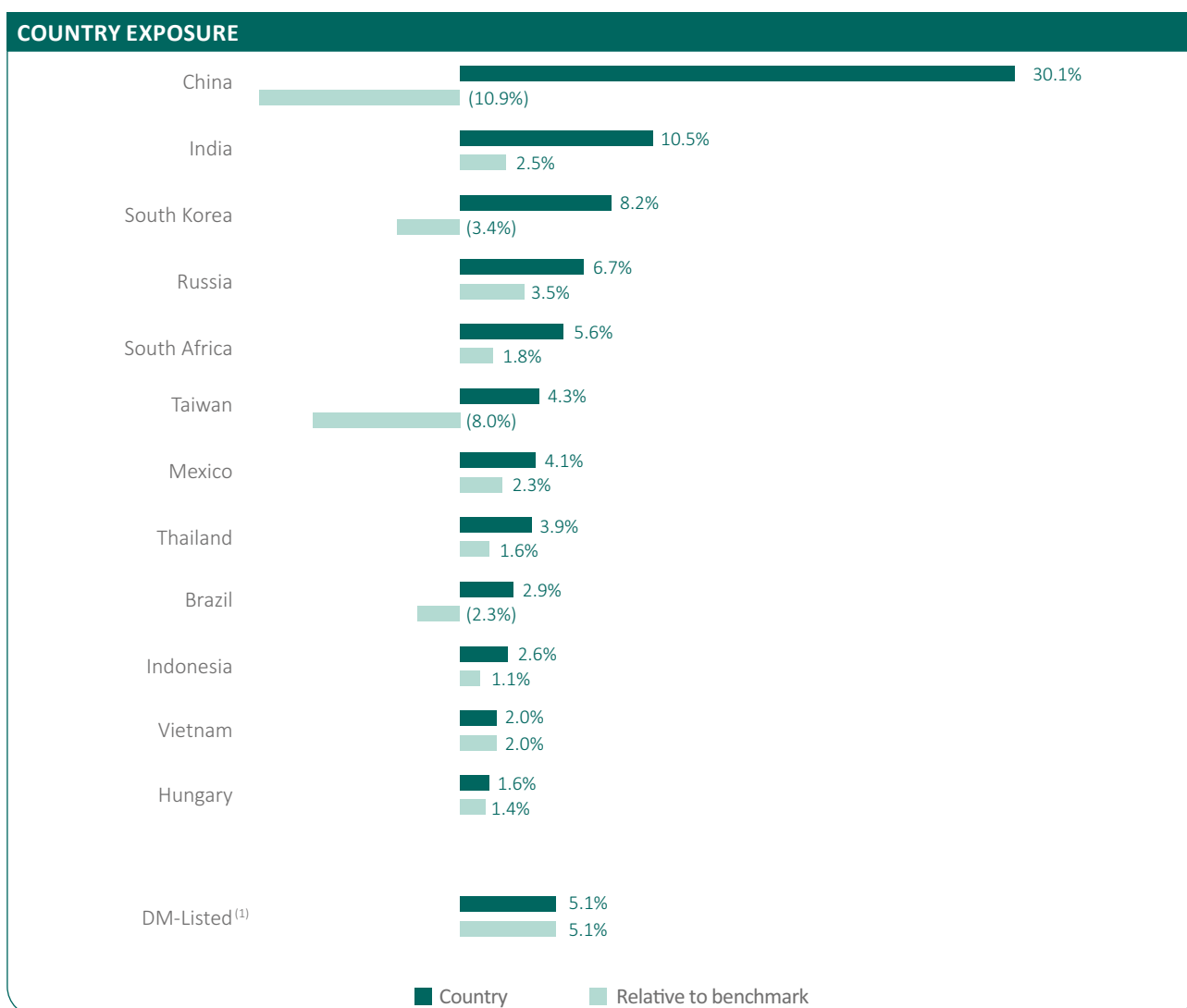


Central & Eastern Europe	15.7%
Russia	6.7%
Netherlands	2.0%
Switzerland	1.7%
Hungary	1.6%
Greece	1.1%
Romania	1.1%
Turkey	0.9%
Germany	0.6%

Asia	63.5%
China	30.1%
India	10.5%
South Korea	8.2%
Taiwan	4.3%
Thailand	3.9%
Indonesia	2.6%
Vietnam	2.0%
Philippines	1.5%
Malaysia	0.5%

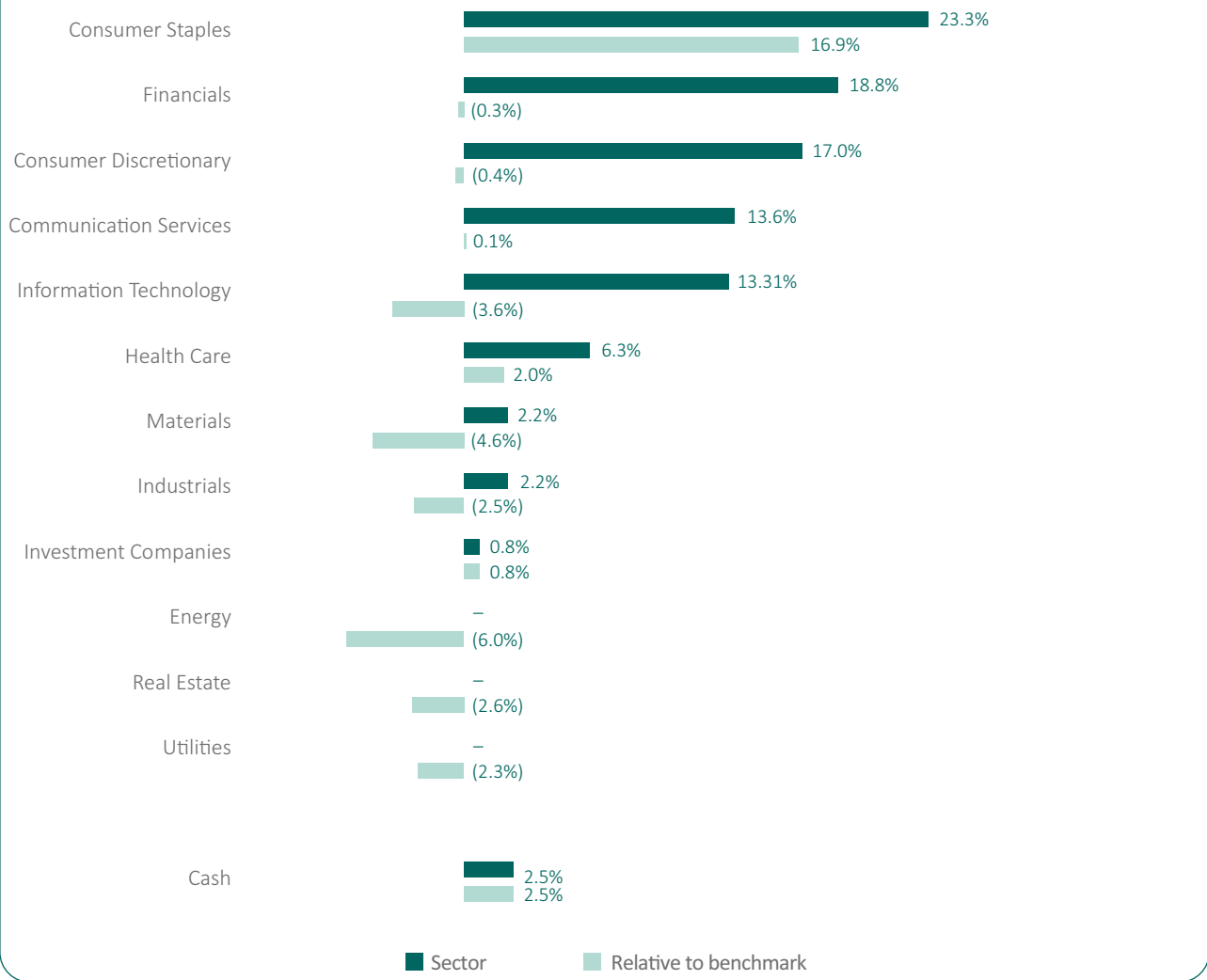
# Country and Sector Exposure of the Portfolio

as at 30 June 2020



<sup>(1)</sup> Companies listed on developed market stock exchanges with no distinct individual EM country exposure

**SECTOR EXPOSURE**



# Twenty Largest Holdings

as at 30 June 2020

## ALIBABA GROUP (China)

4.78% of portfolio

### 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.



## WULIANGYE YIBIN (China)

2.49% of portfolio

### 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.



## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY (Taiwan)

4.27% of portfolio

### Information Technology

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



## NASPERS (South Africa)

2.32% of portfolio

### Consumer Discretionary

A South African internet and entertainment group, with the majority of its value derived from the company's indirect investment in Tencent, through Prosus.



## TENCENT (China)

4.14% of portfolio

### Communication Services

The leading internet services provider in China, offering services including mobile gaming, social networks, e-commerce and payment systems.



## AIA GROUP (China)

2.23% of portfolio

### Financials

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



## SBERBANK (Russia)

3.46% of portfolio

### Financials

The largest bank in Russia, accounting for one third of its banking system.



## NEW ORIENTAL EDUCATION (China)

2.08% of portfolio

### 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.



## SAMSUNG ELECTRONICS (South Korea)

2.97% of portfolio

### 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.



## HEINEKEN (Netherlands)

1.96% of portfolio

### 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.



**YANDEX  
(Russia)**

1.94% of portfolio

**Communication Services**

The largest internet business in Russia. Its primary assets are the leading Russian internet search engine and ad auction network, but they have many other interests including joint ventures with Uber and Sberbank in taxi and e-commerce businesses respectively.

**INFOSYS  
(India)**

1.72% of portfolio

**Information Technology**

Indian multinational corporation that provides business consulting, information technology and outsourcing services. It is the second-largest IT company in India by revenue and has a presence in 46 countries.

**JIANGSU YANGHE BREWERY  
(China)**

1.89% of portfolio

**Consumer Staples**

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

**NAVER  
(South Korea)**

1.70% of portfolio

**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.

**BANGKOK DUSIT MEDICAL SERVICES  
(Thailand)**

1.83% of portfolio

**Health Care**

The largest private hospital operator in Thailand, and second largest in Asia, operating 48 hospitals serving patients from all income segments and geographical regions.

**VIETNAM DAIRY PRODUCTS  
(Vietnam)**

1.66% of portfolio

**Consumer Staples**

Also known as Vinamilk, it is a branded dairy company in Vietnam with a 50% market share.

**BID CORP  
(South Africa)**

1.80% of portfolio

**Consumer Staples**

An international broadline foodservice group specialising in the distribution of food products to the hospitality, institutional, catering and retail sectors.

**OTP BANK  
(Hungary)**

1.64% of portfolio

**Financials**

The dominant retail bank in Hungary and one of the largest independent financial services providers in the Central and Eastern Europe region with a presence in 12 countries.

**RICHEMONT  
(Switzerland)**

1.72% of portfolio

**Consumer Discretionary**

Swiss-based luxury goods holding company. It engages in the design, manufacture and distribution through various subsidiaries with particular strengths in jewellery, watches and writing instruments.

**HDFC BANK  
(India)**

1.53% of portfolio

**Financials**

A subsidiary of HDFC, it is one of India's largest banks and private sector lenders, offering a wide range of financial and banking services.



# The Portfolio

as at 30 June 2020

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Brazil (2019 – 5.23%)</b>			
Banco BTG Pactual	Financials	3,758	0.30
BB Seguridade	Financials	11,099	0.90
Itau Unibanco Holding ADR	Financials	2,579	0.21
Itaúsa – Investimentos Itaú (Preferred)	Financials	4,181	0.34
Linx	Information Technology	3,913	0.32
Notre Dame Intermedica	Health Care	5,167	0.42
OdontoPrev	Health Care	4,881	0.39
		<b>35,578</b>	<b>2.88</b>
<b>China (2019 – 24.38%)</b>			
3Sbio	Health Care	3,936	0.32
58.com ADR	Communication Services	17,629	1.43
AIA Group	Financials	27,522	2.23
Alibaba Group ADR	Consumer Discretionary	59,097	4.78
Anta Sports Products	Consumer Discretionary	12,417	1.00
China Mengniu Dairy	Consumer Staples	18,771	1.51
Country Garden Services Holdings	Industrials	10,535	0.84
CSPC Pharmaceutical Group	Health Care	14,058	1.14
Focus Media Information Technology 'A'	Communication Services	14,709	1.19
Greentown Service Group	Industrials	4,985	0.40
Haidilao International Holding	Consumer Discretionary	1,679	0.14
Jiangsu Yanghe Brewery 'A'	Consumer Staples	23,347	1.89
NetEase	Communication Services	16,799	1.36
New Oriental Education and Tech ADR	Consumer Discretionary	25,698	2.08
Sina Corp	Communication Services	2,886	0.23
Sunny Optical Technology Group	Information Technology	11,459	0.93
TAL Education Group ADR	Consumer Discretionary	8,488	0.69
Tencent	Communication Services	51,105	4.14
WH Group	Consumer Staples	15,665	1.27
Wuliangye Yibin 'A'	Consumer Staples	30,742	2.49
		<b>371,527</b>	<b>30.06</b>
<b>Colombia (2019 – 1.13%)</b>			
Bancolombia	Financials	1,987	0.16
Bancolombia ADR	Financials	4,770	0.39
		<b>6,757</b>	<b>0.55</b>
<b>Egypt (2019 – 1.21%)</b>			
Edita Food Industries	Consumer Staples	1,340	0.11
		<b>1,340</b>	<b>0.11</b>

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Germany (2019 – 0.00%)</b>			
Delivery Hero	Consumer Discretionary	7,809	0.63
		<b>7,809</b>	<b>0.63</b>
<b>Greece (2019 – 1.07%)</b>			
OPAP	Consumer Discretionary	14,013	1.13
		<b>14,013</b>	<b>1.13</b>
<b>Hungary (2019 – 1.10%)</b>			
OTP Bank	Financials	20,304	1.64
		<b>20,304</b>	<b>1.64</b>
<b>India (2019 – 10.30%)</b>			
Axis Bank	Financials	4,739	0.38
Cognizant Technology Solutions	Information Technology	14,438	1.17
Crompton Greaves Consumer Electricals	Consumer Discretionary	6,099	0.49
Godrej Consumer Products	Consumer Staples	10,804	0.87
HDFC Bank	Financials	18,934	1.53
Housing Development Finance Corporation	Financials	15,028	1.22
Infosys	Information Technology	5,026	0.41
Infosys ADR	Information Technology	16,164	1.31
Kotak Mahindra Bank	Financials	15,883	1.29
Pidilite Industries	Materials	7,725	0.63
Sun Pharmaceutical Industries	Health Care	3,111	0.25
Tata Consultancy Services	Information Technology	11,990	0.97
		<b>129,941</b>	<b>10.52</b>
<b>Indonesia (2019 – 2.64%)</b>			
Bank Central Asia	Financials	12,939	1.05
Indocement	Materials	3,063	0.25
Semen Indonesia	Materials	15,830	1.28
		<b>31,832</b>	<b>2.58</b>
<b>Jordan (2019 – 0.65%)</b>			
Hikma Pharmaceuticals	Health Care	10,497	0.85
		<b>10,497</b>	<b>0.85</b>
<b>Luxembourg (2019 – 0.01%)</b>			
Genesis Smaller Companies SICAV <sup>(1)</sup>	Investment Companies	483	0.04
		<b>483</b>	<b>0.04</b>
<b>Malaysia (2019 – 0.37%)</b>			
7-Eleven Malaysia	Consumer Staples	1,041	0.08
Malaysia Airports	Industrials	5,172	0.42
		<b>6,213</b>	<b>0.50</b>

# The Portfolio

continued

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Mauritius (2019 – 0.35%)</b>			
ECP Africa Fund II <sup>(2)(3)</sup>	Investment Companies	3,705	0.30
		<b>3,705</b>	<b>0.30</b>
<b>Mexico (2019 – 3.57%)</b>			
América Móvil ADR	Communication Services	1,595	0.13
Gruma	Consumer Staples	18,575	1.50
Grupo Financiero Inbursa SAB de CV	Financials	1,863	0.15
Kimberly-Clark de Mexico	Consumer Staples	14,025	1.13
Megacable Holdings	Communication Services	7,634	0.62
Promotora y Operadora de Infraestructura	Industrials	6,622	0.54
		<b>50,314</b>	<b>4.07</b>
<b>Morocco (2019 – 0.44%)</b>			
Attijariwafa Bank	Financials	181	0.01
		<b>181</b>	<b>0.01</b>
<b>Netherlands (2019 – 1.44%)</b>			
Heineken	Consumer Staples	13,208	1.07
Heineken Holding	Consumer Staples	11,058	0.89
		<b>24,266</b>	<b>1.96</b>
<b>Nigeria (2019 – 1.51%)</b>			
Dangote Cement	Materials	848	0.07
Guaranty Trust Bank	Financials	3,499	0.28
Nestle Nigeria	Consumer Staples	6,123	0.50
Nigerian Breweries PLC	Consumer Staples	3,228	0.26
Opera ADR	Information Technology	3,965	0.32
		<b>17,663</b>	<b>1.43</b>
<b>Peru (2019 – 0.76%)</b>			
Credicorp	Financials	14,163	1.15
		<b>14,163</b>	<b>1.15</b>
<b>Philippines (2019 – 1.52%)</b>			
Puregold Price Club	Consumer Staples	9,077	0.73
Universal Robina	Consumer Staples	9,727	0.79
		<b>18,804</b>	<b>1.52</b>
<b>Romania (2019 – 1.01%)</b>			
Banca Transilvania	Financials	7,627	0.62
New Century Holdings Balkan <sup>(2)(3)</sup>	Investment Companies	5,795	0.47
		<b>13,422</b>	<b>1.09</b>



	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Russia (2019 – 6.26%)</b>			
Magnit	Consumer Staples	8,369	0.68
Moscow Exchange	Financials	3,943	0.32
Sberbank	Financials	42,771	3.46
TCS Group Holding GDR	Financials	3,483	0.28
Yandex	Communication Services	24,018	1.94
		<b>82,584</b>	<b>6.68</b>
<b>Saudi Arabia (2019 – 0.46%)</b>			
Almarai	Consumer Staples	5,626	0.46
		<b>5,626</b>	<b>0.46</b>
<b>South Africa (2019 – 7.28%)</b>			
Bid Corp	Consumer Staples	22,255	1.80
Mediclinic International	Health Care	12,996	1.05
Naspers	Consumer Discretionary	28,683	2.32
Sanlam	Financials	5,184	0.42
		<b>69,118</b>	<b>5.59</b>
<b>South Korea (2019 – 10.06%)</b>			
Amorepacific Corp	Consumer Staples	6,459	0.52
Amorepacific Group	Consumer Staples	2,343	0.19
Hanon Systems	Consumer Discretionary	7,935	0.65
Kangwon Land	Consumer Discretionary	13,134	1.06
Naver	Communication Services	20,995	1.70
Samsung Electronics (Ordinary)	Information Technology	12,854	1.04
Samsung Electronics (Preferred)	Information Technology	23,902	1.93
Samsung Fire & Marine Insurance	Financials	5,744	0.46
Samsung Fire & Marine Insurance (Preferred)	Financials	261	0.02
Sk Hynix	Information Technology	8,067	0.65
		<b>101,694</b>	<b>8.22</b>
<b>Switzerland (2019 – 1.24%)</b>			
Richemont	Consumer Discretionary	21,235	1.72
		<b>21,235</b>	<b>1.72</b>
<b>Taiwan (2019 – 2.15%)</b>			
Taiwan Semiconductor Manufacturing Company	Information Technology	52,725	4.27
		<b>52,725</b>	<b>4.27</b>

# The Portfolio

continued

	Sector	Fair Value (\$'000)	Proportion of Fund (%)
<b>Thailand (2019 – 4.10%)</b>			
Bangkok Dusit Medical Services	Health Care	22,628	1.83
CP All	Consumer Staples	16,631	1.35
Thai Beverage	Consumer Staples	8,723	0.70
		<b>47,982</b>	<b>3.88</b>
<b>Turkey (2019 – 2.65%)</b>			
Anadolu Efes Biracılık	Consumer Staples	8,133	0.66
Ülker Bisküvi Sanayi	Consumer Staples	2,433	0.20
		<b>10,566</b>	<b>0.86</b>
<b>United States (2019 – 1.52%)</b>			
Liberty Global LiLAC 'A' <sup>(4)</sup>	Communication Services	3,192	0.26
Liberty Global LiLAC 'C' <sup>(4)</sup>	Communication Services	7,184	0.58
		<b>10,376</b>	<b>0.84</b>
<b>Vietnam (2019 – 2.16%)</b>			
Mobile World Investment	Consumer Discretionary	4,025	0.33
Vietnam Dairy Products (Vinamilk)	Consumer Staples	20,544	1.66
		<b>24,569</b>	<b>1.99</b>
<b>Total Investments</b>		<b>1,205,287</b>	<b>97.53</b>
<b>Net Current Assets</b>		<b>30,467</b>	<b>2.47</b>
<b>TOTAL NET ASSETS</b>		<b>1,235,754</b>	<b>100.00</b>

<sup>(1)</sup> Treating Genesis Smaller Companies SICAV on a 'non-look-through' basis.

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

<sup>(3)</sup> Unquoted securities, not traded on an official Stock Exchange or other Regulated Market.

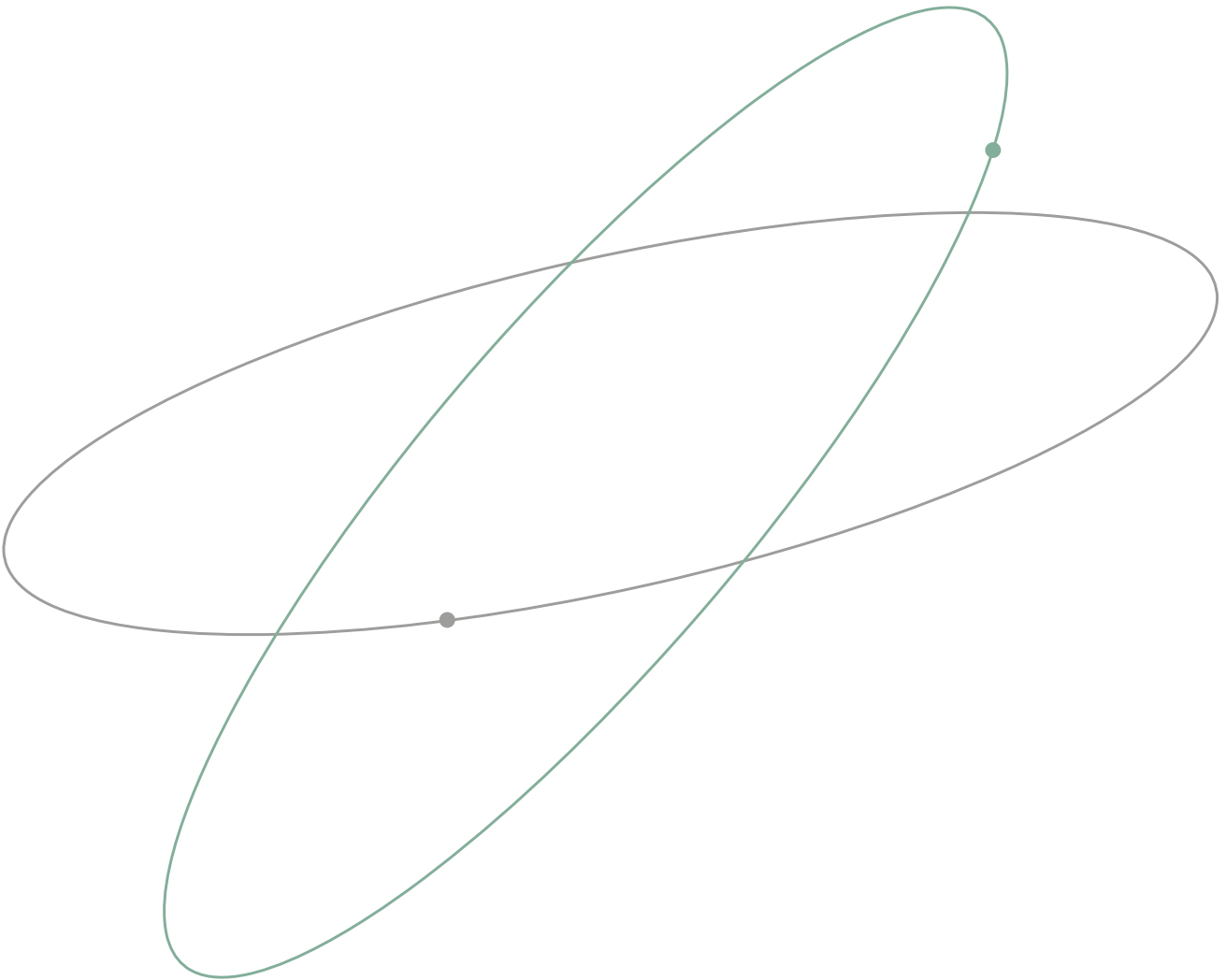
<sup>(4)</sup> Liberty Global LiLAC operates all over Latin America with no single specific country exposure. Hence it has been categorised under United States as it is listed on the US stock exchange.

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 US 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

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

*Appointed 2 November 2012*

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

**Director**

*Appointed 31 October 2013*

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).

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



## Russell Edey

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

*Appointed 1 January 2015*

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.

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



## Saffet Karpat

**Director, Member of the Audit and Risk Committee**

*Appointed 1 October 2011*

Saffet Karpat (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

**Director**

*Appointed 19 July 2017*

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, Ms Tsang founded Max Giant that trades in different markets as well as making direct investments in Asia. Ms Tsang is currently an independent Non Executive Director on the Board of China CITIC Bank International Limited and Budweiser Brewing Company APAC 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 Gap Inc., and 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 Simon Colson

**Director**

*Appointed 1 July 2019*

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 Managing Director, 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 he 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). In 2017 he relinquished his FCA licence to concentrate on unregulated advisory and non-executive work. He 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). Dr Colson is based in the UK.

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



## Torsten Koster<sup>(1)</sup>

**Director**

*Appointed 1 July 2020*

Torsten Koster's biography can be found on page 44 of this report.

<sup>(1)</sup> Mr Koster was not a Director of the Fund during the financial period under review

# Directors' Report

The Directors are pleased to present their thirty-first Annual Financial Report of the Fund, covering the year ended 30 June 2020.

## 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 51 and 52 and the Notes to the Financial Statements on pages 55 to 72.

### Results and Dividends

The loss for the year for the Fund amounted to \$46,427,000 compared to a total profit of \$47,931,000 in the previous year. Refer to the Investment Manager's Review on pages 18 to 21 for an explanation of the Fund's performance.

## Shareholders

### 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	33,992,314	28.0	5 November 2019
Wells Capital Management	12,164,056	10.2	24 June 2020

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	34,123,089	28.1	15 September 2020

As at 31 August 2020, 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	22.22
Lazard Asset Management LLC Group	14,722,459	12.12
1607 Capital Partners	4,176,986	3.44

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

The Annual Financial Report is published on the Fund's website, [www.genesisemf.com](http://www.genesisemf.com), which is maintained by Genesis. The maintenance and integrity of the website is, so far as relates to the Fund, the responsibility of the Investment Manager. 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.

The Directors propose a dividend of 17.0¢ per Participating Preference Share in respect of the year ended 30 June 2020 (2019: 19.0¢). If approved by shareholders at the AGM on 2 November 2020, the dividend will be payable on 11 December 2020 to shareholders on the register at close of business on 13 November 2020.

### Capital Values

At 30 June 2020, the value of Equity Shareholders' Funds was \$1,235,754,000 (2019: \$1,305,260,000) a decrease of \$69,506,000. The Net Asset Value per Participating Preference Share was \$10.17 (2019: \$10.75).

### Key Performance Indicators

The Financial Highlights and Performance section on pages 2 and 3 show the Fund's Key Performance Indicators including its performance and discount to its NAV over the last five years.

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 Provisions of the 2019 AIC Code of Corporate Governance ('AIC Code'). The AIC Code addresses the Principles and Provisions set out in the 2018 UK Corporate Governance Code ('UK Code'), as well as setting out additional Provisions on issues that are of specific relevance to the Fund. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission provides more relevant information to shareholders.

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.

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 2018 UK Corporate Governance Code (the 'UK Code') and whether it has complied with these provisions throughout the accounting period.

### Statement of Compliance

The Board confirms that during the year under review, the Fund has complied with the provisions of the AIC Code and therefore, insofar as they apply to the Fund's business, with the provisions of the 2018 UK 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 Investment 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 UK Code in respect of Executive Directors' remuneration and does not have a Remuneration Committee.
- **Nomination Committee**  
All Directors are members of the Nomination Committee. Given the size of the Board, the Board

believes that it is important that all Directors are involved in the evaluation and appointment of new directors from an early stage.

- **Internal audit function**

As the Fund has no employees and delegates its day-to-day operations to third party service providers, 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 Investment Manager.

- **Workforce policies and practices**

As the Fund has no employees and delegates its day-to-day operations to third party service providers, it is not required to comply with this this provision.

The Board is committed to the continuing compliance with the AIC Code.

## Regulatory Disclosures

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

The Investment Manager is a limited liability partnership organised under the laws of England and Wales and qualifies as an EU alternative investment fund manager ('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 Investment 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 Monday, 2 November 2020 at 10:30 a.m. at the offices of J.P. Morgan Administration Services (Guernsey) Limited, 1st Floor, Les Echelons Court, Les Echelons, South Esplanade, St Peter Port, Guernsey GY1 6JB.

# Directors' Report

continued

In consideration of the wellbeing of the Fund's shareholders and in light of Government guidance around social distancing and travel restrictions, shareholders will not be permitted to attend this year's AGM in person. Please refer to the Notice on page 78 for full details on how to vote and how to communicate any questions that would usually be raised at the meeting.

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 all 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 Investment Manager. Hélène Ploix was considered independent on appointment. The biographies of the Directors are shown on pages 34 and 35. 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 Investment 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 41 and 43 respectively.

The Board regularly reviews both the performance of, and the contractual arrangements with the Investment Manager, and is satisfied that the continuing appointment of the Investment Manager is in the best interests of shareholders. The management agreement sets out matters over which the Investment Manager has authority and includes management of the Fund's assets and the provision of administrative duties. The agreement further permits the Investment 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, the Investment Manager was entitled to receive a management fee from the Fund, payable monthly, equal to 0.90% per annum, calculated and accrued on the Net Asset Value of the Fund as at each Valuation Day. This fee was reduced from 0.95% per annum prior to 1 July 2019. The Investment 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 Investment Manager.

As noted on page 42, 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 Investment Manager who provides the Board with appropriate and timely information. Attendance at those meetings is given below each Director's biography on pages 34 and 35. 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 Investment Manager discretion to exercise the Fund's voting rights and the Investment Manager, so far as is practicable, will exercise



them in respect of resolutions proposed by investee companies.

The Investment 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 Investment 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 Investment 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 Investment Manager's policy to request that such securities be recalled to enable the shares to be voted.

The Investment 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 Investment 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 Investment Manager's investment decision-making process. Each voting issue is analysed independently, however, and the Investment 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 Investment 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 2019 or 2020.

### 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. The Fund has appointed Genesis Investment Management, 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 financial statements have been prepared on a going concern basis. The Directors consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the Fund's investment objective, risk management, the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments and the ability of the Fund to meet all of its liabilities and ongoing expenses.

As a result of the COVID-19 pandemic, the Directors gave particular focus this year to the operational resilience and ongoing viability of the Investment Manager and the Fund's third-party service providers. The Board was satisfied that the Investment Manager and the Fund's third-party service providers had quickly and effectively put in place contingency planning measures to ensure ongoing operational functionality.

In assessing the viability of the Fund, the Directors focused on whether the Fund's investment objective could be met in the current economic climate. Directors also considered the Fund's performance and its ongoing attractiveness to investors.

The Directors were satisfied that there were no viability issues that would affect the going concern of the Fund. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Signed on behalf of the Board

**Hélène Ploix**

5 October 2020

# 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 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 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

The fees paid to each Director for the years ended 30 June 2020 and 2019 are shown in the table below with any year-on-year differences being explained:

	30 June 2020	30 June 2019
Hélène Ploix	£45,000	£45,000
Sujit Banerji	£30,000	£30,000
Dr Simon Colson <sup>(1)</sup>	£30,000	–
Russell Edey	£37,500	£37,500
Saffet Karpat	£35,000	£35,000
Katherine Tsang	£30,000	£30,000
John Llewellyn <sup>(2)</sup>	–	£29,260
	<b>£207,500</b>	<b>£206,760</b>

<sup>(1)</sup> Appointed as a Director on 1 July 2019

<sup>(2)</sup> Retired as a Director on 21 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 June 2020 and 2019:

Director	30 June 2020	30 June 2019
Hélène Ploix	15,000	15,000
Sujit Banerji	10,000	10,000
Dr Simon Colson	4,416	–
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 4 November 2019 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	%		
74,814,049	99.95	34,955	0.05	74,849,004	–

For and on behalf of the Board

**Hélène Ploix**

5 October 2020

# Audit and Risk Committee's Report

The Board has an established Audit and Risk Committee which consists of Russell Edey, Saffet Karpat and H  l  ne 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 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 June 2020, 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 Investment 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 Investment 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 Investment 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 Investment Manager reconciles the Custodian's investment portfolio records on a weekly basis. The Investment Manager monitors the Custodian's service levels throughout the year with formal performance reviews conducted bi-annually. The latest review was in July 2020.</p>

# Audit and Risk Committee's Report

continued

## 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' or 'Auditors') was engaged by the Board to act as the Fund's auditors 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 Auditors 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 Investment 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 June 2020 were \$47,000 (2019: \$48,000). KPMG did not provide any non-audit services during the year (2019: 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 Investment Manager, 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 Investment 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.

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 June 2020 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

5 October 2020

# Nomination Committee's Report

The Board has an established 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.

The responsibilities of the Nomination Committee are inter alia:

- To regularly review the structure, size and composition (including the length of service of the Board members, skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- To give full consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Company, the skills and expertise needed on the Board in the future and the promotion of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- To be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise and for overseeing the development of a diverse pipeline for succession.

## 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.

## Composition and independence

As at 30 June 2020 the Board comprised of four male and two female directors. All directors are non-executive and independent of the Investment Manager. Each director is required to disclose any potential conflicts of interest at each Board meeting.

## Board appointments and re-election

All members of the Nomination Committee consider new Board appointments. The Chairman, Investment 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, Mr Karpat was no longer deemed to be independent and will retire as a Director with effect from the conclusion of the 2020 AGM.

In advance of Mr Karpat'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 considered the résumés of six candidates and after review proceeded to interview four candidates.

As part of the selection process, the sub-committee focussed on candidates preferably based in Europe, who, in addition to Emerging Markets, consumer goods and fund experience, had financial accounting experience given the new director would also be appointed to the Audit and Risk Committee.

Following this process, the sub-committee recommended Mr Torsten Koster as a potential replacement for Mr Karpat. Further to the recommendation from the sub-committee, Mr Koster was then interviewed by the remaining members of the Nomination Committee.

Mr Koster was duly appointed as an independent Non-Executive Director of the Fund with effect from 1 July 2020, and will be subject to election by shareholders at the forthcoming AGM. He was also appointed as a member of Nomination Committee with effect from 1 July 2020 and will become a member of the Audit and Risk Committee with effect from the conclusion of the AGM on 2 November 2020.

All the Directors (with the exception of Mr Karpat and Mr Koster) 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.

# Nomination Committee's Report

continued

## Torsten Koster

Torsten Koster (Swiss) has over 30 years' experience working for large multi-national companies. He spent two periods at Nestle SA (1991-1997 and 2003-2016). During his second spell he held the positions of Chief Financial Officer Nestle Russia & Eurasia (2007-2011) and Chief Financial Officer Nestle Nespresso SA (2011-2016). He also held the positions of Chief Financial Officer at Lukoil SA (1998-2000) and Elca Informatique SA (2000-2003). In 2016 Torsten started his own consultancy business, Baussan Concept SA providing due diligence and portfolio services to European and US based private equity firms. He was a board member of SodaStream International (2016-2018) (NASDAQ:SODA) and is currently a board member of Banque Heritage SA and Natra SA (both of which are unlisted entities). He holds a Masters degree from HEC Lausanne.

## 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 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 last conducted in June 2019 by Stephenson & Co. It is proposed that the next independent evaluation will be conducted in 2022. The findings of the 2019 review were considered by the Directors and actions, where appropriate, have been taken.

### Hélène Ploix

Chairman of the Nomination Committee

5 October 2020

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU to meet the requirements of applicable law and regulations.

Under company law the Directors must not approve the financial statements unless they are satisfied that taken as a whole, 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 and prudent;
- 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/she 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 Fund, together with a description of the principal and emerging risks and uncertainties that the Fund faces.

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

There were no instances where the Fund is required to make disclosures in respect of Listing Rule 9.8.4 during the financial period under review.

For and on behalf of the Board

**Hélène Ploix**

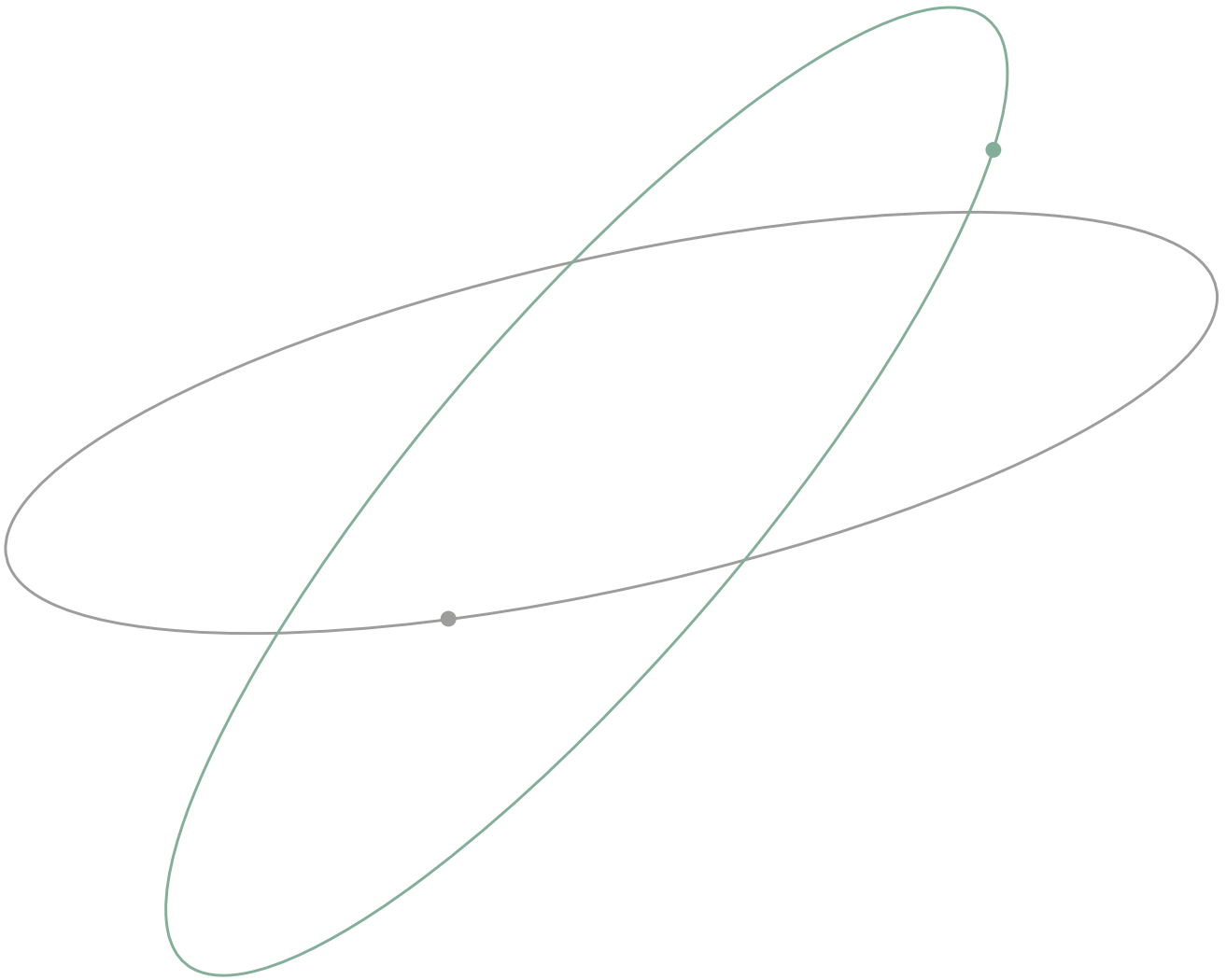
5 October 2020







# 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 of Genesis Emerging Markets Fund Limited (the 'Company'), which comprise the statement of financial position as at 30 June 2020, 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.

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

- give a true and fair view of the financial position of the Company as at 30 June 2020, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; 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 2019):

Valuation of financial assets at fair value through profit or loss	The risk	Our response
<p>\$1,205,287,000; (2019 \$1,290,592,000)</p> <p>Refer to the Audit and Risk Committee Report on page 41, note 2(b) of the accounting policies, note 3 and note 10</p>	<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 \$1,195,304,000</p>	<p><i>Our audit procedures included:</i></p> <p><b>Internal Controls:</b></p> <p><i>We evaluated the design and implementation of key controls over the valuation of the Investments.</i></p> <p><b>Use of our KPMG Valuation Specialists:</b></p> <p>We used our KPMG valuation specialist to independently price Investments with a value of \$1,195,304,000 using 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 \$22.3m, determined with reference to a benchmark of net assets of \$1,235.8m, of which it represents approximately 2% (2019: 2%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$1.1m (2019: \$1.1m), 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

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's activities including where relevant the impact of the COVID-19 pandemic and the requirements of the applicable financial reporting framework. We analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 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 these respects.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Disclosures of emerging and 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 8) that they have carried out a robust assessment of the emerging and 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;
- the directors' explanation in the Viability Statement (page 8) 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.

# Independent Auditor's Report

continued

## 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 provisions of the 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 45, 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*

5 October 2020

# Statement of Financial Position

as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	2(b), 10(a)	1,205,287	1,290,592
Amounts due from brokers	2(g)	15,541	2,079
Dividends receivable	2(d)	2,809	2,512
Other receivables and prepayments		212	193
Cash and cash equivalents	2(f)	16,530	19,487
<b>Total Assets</b>		<b>1,240,379</b>	1,314,863
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Amounts due to brokers	2(g)	1,474	1,938
Capital gains tax payable	2(j)	1,739	6,140
Payables and accrued expenses	7	1,412	1,525
<b>Total Liabilities</b>		<b>4,625</b>	9,603
<b>Total Net Assets</b>		<b>1,235,754</b>	1,305,260
<b>Equity</b>			
Share premium	4	6,291	6,291
Capital reserve	6	1,178,583	1,242,603
Revenue account		50,880	56,366
<b>Total Equity</b>		<b>1,235,754</b>	1,305,260
<b>Net Asset Value per Participating Preference Share*</b>		<b>\$10.17</b>	\$10.75

\* Calculated on a closing number of 121,466,754 Participating Preference Shares in issue (2019: 121,466,754).

Signed on behalf of the Board of Genesis Emerging Markets Fund Limited

Hélène Ploix

Russell Edey

5 October 2020

The notes on pages 55 to 72 form part of these financial statements

# Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020			2019		
		Capital Reserve \$'000	Revenue Account \$'000	Total \$'000	Capital Reserve \$'000	Revenue Account \$'000	Total \$'000
<b>(Loss)/income</b>							
Net change in financial assets at fair value through profit or loss	2(b),10(b)	(56,342)	–	(56,342)	40,985	–	40,985
Net exchange (losses)/gains	2(c)	(1,316)	–	(1,316)	171	–	171
Dividend income	2(d)	–	23,467	23,467	–	30,562	30,562
Interest income	2(d)	–	346	346	–	467	467
Securities lending income	2(m)	–	206	206	–	230	230
<b>Total (loss)/income</b>		<b>(57,658)</b>	<b>24,019</b>	<b>(33,639)</b>	<b>41,156</b>	<b>31,259</b>	<b>72,415</b>
<b>Expenses</b>							
Management fees	2(i),9(a)	(9,193)	(2,299)	(11,492)	(9,320)	(2,330)	(11,650)
Custodian fees	9(c)	–	(928)	(928)	–	(984)	(984)
Transaction costs	12	(1,675)	–	(1,675)	(1,814)	–	(1,814)
Directors' fees and expenses	9(e)	–	(415)	(415)	–	(379)	(379)
Administration fees	9(b)	–	(292)	(292)	–	(284)	(284)
Audit fees		–	(47)	(47)	–	(48)	(48)
Legal and professional fees		–	(138)	(138)	–	(789)	(789)
Other expenses		–	(204)	(204)	–	(196)	(196)
<b>Total operating expenses</b>		<b>(10,868)</b>	<b>(4,323)</b>	<b>(15,191)</b>	<b>(11,134)</b>	<b>(5,010)</b>	<b>(16,144)</b>
<b>Operating (loss)/profit</b>		<b>(68,526)</b>	<b>19,696</b>	<b>(48,830)</b>	<b>30,022</b>	<b>26,249</b>	<b>56,271</b>
<b>Finance costs</b>							
Bank charges		–	(4)	(4)	–	(14)	(14)
<b>Total finance costs</b>		<b>–</b>	<b>(4)</b>	<b>(4)</b>	<b>–</b>	<b>(14)</b>	<b>(14)</b>
<b>Taxation</b>							
Capital gains tax	2(j),8	4,506	–	4,506	(4,887)	–	(4,887)
Withholding taxes	2(j),8	–	(2,099)	(2,099)	–	(3,439)	(3,439)
<b>Total taxation</b>		<b>4,506</b>	<b>(2,099)</b>	<b>2,407</b>	<b>(4,887)</b>	<b>(3,439)</b>	<b>(8,326)</b>
<b>(Loss)/profit after tax for the year attributable to Participating Preference Shares</b>		<b>(64,020)</b>	<b>17,593</b>	<b>(46,427)</b>	<b>25,135</b>	<b>22,796</b>	<b>47,931</b>
<b>Total comprehensive (loss)/income</b>		<b>(64,020)</b>	<b>17,593</b>	<b>(46,427)</b>	<b>25,135</b>	<b>22,796</b>	<b>47,931</b>
<b>(Losses)/earnings per Participating Preference Share (basic and diluted)*</b>	5	<b>\$(0.53)</b>	<b>\$0.15</b>	<b>\$(0.38)</b>	<b>\$0.20</b>	<b>\$0.19</b>	<b>\$0.39</b>

\* Calculated on an average number of 121,466,754 Participating Preference Shares in issue (2019: 123,204,635).

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 55 to 72 form part of these financial statements

# Statement of Changes in Equity

for the year ended 30 June 2020

	Note	2020			Total \$'000
		Share Premium \$'000	Capital Reserve \$'000	Revenue Account \$'000	
Balance at the beginning of the year		6,291	1,242,603	56,366	1,305,260
Total comprehensive (loss)/income		–	(64,020)	17,593	(46,427)
Dividends paid in the year	11	–	–	(23,079)	(23,079)
Balance at the end of the year		6,291	1,178,583	50,880	1,235,754

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

The notes on pages 55 to 72 form part of these financial statements

# Statement of Cash Flows

for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Operating activities</b>		
Dividends and interest received	23,516	32,804
Securities lending income received	206	230
Taxation paid	(1,994)	(3,425)
Purchase of investments	(467,672)	(459,382)
Proceeds from sale of investments	482,709	591,416
Bank charges paid	(4)	(14)
Operating expenses paid	(15,323)	(16,436)
<b>Net cash inflow from operating activities</b>	<b>21,438</b>	145,193
<b>Financing activities</b>		
Dividends paid	(23,079)	(23,079)
Repurchase and cancellation of the Fund's own shares	–	(128,058)
<b>Net cash outflow from financing activities</b>	<b>(23,079)</b>	(151,137)
Effect of exchange (losses)/gains on cash and cash equivalents	(1,316)	171
<b>Net decrease in cash and cash equivalents</b>	<b>(2,957)</b>	(5,773)
Net cash and cash equivalents at the beginning of the year	19,487	25,260
<b>Net cash and cash equivalents at the end of the year</b>	<b>16,530</b>	19,487
Comprising:		
Cash and cash equivalents	16,530	19,487

The notes on pages 55 to 72 form part of these financial statements



# Notes to the Financial Statements

for the year ended 30 June 2020

## 1. General

Genesis Emerging Markets Fund Limited (the 'Fund') was incorporated in Guernsey on 7 June 1989 and commenced activities on 19 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 5 October 2020.

## 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

The following standard amendments have been issued and are expected to be relevant to the Fund in future periods, with effective dates on or after 1 July 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of Material (Amendments to IAS 1 and IAS 8)

The Directors are currently reviewing these standards with a view to implementation on their effective date, 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 June 2020.

# Notes to the Financial Statements

continued

## 2. Summary of Significant Accounting Policies continued

### (b) Financial Instruments

#### Classification

The Fund has classified all of its investments as at fair value through profit or loss on initial recognition. The business model for 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 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.

#### 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 related 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.

# Notes to the Financial Statements

continued

## 2. Summary of Significant Accounting Policies continued

### (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) 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 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.

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.

# Notes to the Financial Statements

continued

## 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 June 2019	121,467,754	–	6,291
<b>As at 30 June 2020</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 June 2020</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 June 1989 to the Investment 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 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.

### Participating Preference Shares

At the Extraordinary General Meeting of the Fund on 30 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. (Losses)/Earnings Per Share

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

	2020 \$'000	2019 \$'000
Capital (loss)/return	(64,020)	25,135
Revenue return	17,593	22,796
(Loss)/profit after tax for the year attributable to Participating Preference Shares	(46,427)	47,931
Weighted average number of Participating Preference Shares outstanding	121,466,754	123,204,635
Capital (losses)/earnings per Participating Preference Share	(\$0.53)	\$0.20
Revenue earnings per Participating Preference Share	\$0.15	\$0.19
Basic (losses)/earnings per Participating Preference Shares – basic and diluted	(\$0.38)	\$0.39

## 6. Capital Reserve

The capital reserve as at 30 June 2020 consists of the following accumulated amounts:

	2020 \$'000	2019 \$'000
Realised gains on investments sold	1,132,546	1,113,846
Unrealised appreciation on revaluation of investments	89,800	164,842
Exchange losses	(8,337)	(7,021)
Transfer to share premium	(27)	(27)
Expenses charged to capital	(35,399)	(29,037)
	1,178,583	1,242,603

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

	2020 \$'000	2019 \$'000
Investment Management fees	966	922
Custodian fees	151	235
Directors' fees	102	264
Audit fees	12	48
Other accrued expenses	181	56
	1,412	1,525

# Notes to the Financial Statements

continued

## 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 Investment 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 Investment 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 Investment Manager.

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

The Investment 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 Investment Manager.

Under the Management Agreement, the Investment Manager is entitled to receive a management fee from the Fund, payable monthly in arrears equal to 0.90% (2019: 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 Investment 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 related investment companies, refer to note 9(f), do not pay a separate management fee to the Investment Manager. The investment management fees for the year were \$11,492,000 (2019: \$11,650,000).

### (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 \$292,000 and charged by JP Morgan Administration Services (Guernsey) Limited (2019: \$284,000).

### (c) Custodian fee

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% (2019: 0.08%) per annum of the average Net Assets of the Fund. Custodian fees for the year were \$928,000 (2019: \$984,000).

### (d) Securities lending fees

The Fund generated gross income of \$257,000 (2019: \$287,000) from securities lending transactions during the year. Commissions amounting to \$51,000 (2019: \$57,000) 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 \$260,000 (2019: \$255,000). 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 40 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 Investment 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 28 to 32. There were no subscriptions and redemptions during the year (2019: nil) under review. No dividends were received from these funds during the year (2019: nil). The Genesis Smaller Companies SICAV was placed into liquidation on 14 December 2017.

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 parties at 30 June 2020.

**10. Financial Assets held at Fair Value Through Profit or Loss****(a) Statement of Financial Position**

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial assets at fair value through profit or loss:</b>		
Listed equity securities	1,195,304	1,279,713
Unlisted equity securities	9,983	10,879
<b>Total financial assets at fair value through profit or loss:</b>	<b>1,205,287</b>	1,290,592

**(b) Statement of Comprehensive Income**

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Net change in financial assets at fair value through profit or loss:</b>		
Realised gains	95,433	124,818
Realised losses	(76,733)	(74,404)
Net realised gains	18,700	50,414
Change in unrealised appreciation	(54,181)	(17,914)
Change in unrealised depreciation	(20,861)	8,485
Net unrealised change in financial assets at fair value through profit or loss	(75,042)	(9,429)
<b>Net change in financial assets at fair value through profit or loss</b>	<b>(56,342)</b>	40,985

# Notes to the Financial Statements

continued

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

### (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 related 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 Investment Manager's Valuation Committee and the results reported to the Board on a regular basis. The Investment 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 June 2020	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Investment in equity securities	1,195,787	1,172,676	23,111	–
Investee funds	9,500	–	–	9,500
	1,205,287	1,172,676	23,111	9,500

At 30 June 2019	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Investment in equity securities	1,273,962	1,273,774	188	–
Participatory notes	5,939	–	5,939	–
Investee funds	10,691	–	–	10,691
	1,290,592	1,273,774	6,127	10,691

### (d) Level 3 Investments

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

Valuation basis for Level 3 Investment	2020 \$'000	2019 \$'000
Administrator's Net Asset value	9,500	10,691
	9,500	10,691

As at 30 June 2020 there were five holdings (2019 : six holdings) classified as Level 3 investments. Two 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 (2019: three holdings) had a nil value.

As the key input into the valuation of Level 3 investments is official valuation statements from the Investee Fund, we do not consider it appropriate to put forward a sensitivity analysis on the basis that there is a direct relationship between a movement in the valuation statement and the Level 3 valuation.

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

	2020 Level 3 \$'000	2019 Level 3 \$'000
Balance at 1 July	10,691	13,289
Return of capital	(1,075)	(3,180)
Realised gain/(loss)	596	(1,649)
Net change in unrealised (depreciation)/appreciation	(712)	2,231
Balance at 30 June	9,500	10,691

Unrealised losses as at year end amounting to \$4,548,000 (2019: unrealised losses of \$3,836,000) 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

The following table presents the transfers between levels for the investments held at 30 June 2020 and 30 June 2019:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Transfers between Level 1 and Level 2:</b>			
Participatory notes	–	(5,939)	–
Equity Securities	(16,689)	22,628	–

There were two securities that transferred between Level 1 and Level 2. The transfer from Level 2 to Level 1 relates to a participatory note that was held at 30 June 2019, which was previously classified as Level 2, however following its conversion to the underlying security in July 2019, it has been reclassified as Level 1. The transfer from Level 1 to Level 2 relates to an equity security that was traded on a different line to which it was valued.

The Fund's policy is to recognise transfers in and transfers out at the end of each accounting period.

### (f) Securities Lending

As at 30 June 2020 the Fund had securities with a fair value of \$nil (2019: \$97,341,000) on loan and received \$nil (2019: \$94,332,000) of non-cash collateral for these loans. Included in the securities on loan were Brazilian securities with a fair value of \$nil (2019: \$6,902,000). 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. The Fund is still indemnified by the Lending Agent on securities lending transactions going through the CBLC.

# Notes to the Financial Statements

continued

## 11. Dividend

	2020 US\$000	2019 US\$000
<b>Dividends paid</b>		
2019 final dividend of 19.0¢ (2018: 19.0¢) per Participating Preference Share	23,079	23,079
	<b>23,079</b>	23,079
<b>Dividend proposed</b>		
2020 final dividend of 17.0¢ (2019: 19.0¢) per Participating Preference Share	20,649	23,079
	<b>20,649</b>	23,079

The dividend proposed in respect of the year ended 30 June 2020 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 June 2021.

## 12. Transaction Costs

	2020 \$'000	2019 \$'000
Acquiring	768	661
Disposing	907	1,153
	<b>1,675</b>	1,814

## 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 June 2020 and 30 June 2019, 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 24.

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 Investment 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 (pages 24 and 25) and The Portfolio (pages 28 to 32) illustrate the allocation of the portfolio assets according to these criteria as at 30 June 2020.

The Investment Manager has identified the MSCI EM (TR) Index as a relevant reference point for the markets in which it operates. However, the Investment 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 Financial Highlights and Performance section on pages 2 and 3 and is expected to change over time.

Given that the observed volatility of the Fund's NAV in 2020 was 23.66% (2019: 17.93%), 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:

	2020 \$'000	2019 \$'000
Financial assets at fair value through profit or loss	1,205,287	1,290,592
Net Asset Value and profit impact	285,171	231,403

#### 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 Investment 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.

# Notes to the Financial Statements

continued

## 14. Financial Risk Management continued

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 June 2020 (2019: none); Total sales amounted to \$1,075,000 (2019: \$3,180,000). As at 30 June 2020 and 2019 there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases. During the year ended 30 June 2020 total net losses incurred on investments in Investee Funds were \$116,000 (2019: gains of \$582,000).

### (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 June 2020:

Currency	Net non-monetary assets and (liabilities) \$'000	Net monetary assets and (liabilities) \$'000	Total foreign currency risk \$'000
Brazilian real	32,999	30	33,029
Chinese yuan renminbi	68,798	1,006	69,804
Euro	46,087	–	46,087
Hong Kong dollar	172,132	856	172,988
Hungarian forint	20,304	–	20,304
Indian rupee	99,338	1,375	100,713
Indonesian rupiah	31,832	53	31,885
Korean won	101,695	264	101,959
Mexican peso	48,719	141	48,860
Nigerian naira	13,698	620	14,318
Philippine peso	18,804	–	18,804
South African rand	56,121	–	56,121
Sterling	23,493	(75)	23,418
Swiss franc	21,235	–	21,235
Taiwan dollar	52,725	333	53,058
Thailand baht	39,259	–	39,259
United States dollar	291,214	25,007	316,221
Vietnamese dong	24,569	273	24,842
Other currencies	42,265	584	42,849
	<b>1,205,287</b>	<b>30,467</b>	<b>1,235,754</b>

Comparative figures as at 30 June 2019 are as follows:

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>

### 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 June 2020, had the average exchange rate of the US dollar weakened by a reasonable possible movement of 500 basis points (2019 : 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 \$45,977,000 (2019: \$48,952,000).

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 Investment Manager does not consider it realistic or useful to examine foreign currency risk in isolation. The Investment 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).

# Notes to the Financial Statements

continued

## 14. Financial Risk Management continued

### (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 developed 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 June 2020 was as follows:

	2020 \$'000	2019 \$'000
<b>Amounts due within one month</b>		
Amounts due to brokers	1,474	1,938
Payables and accrued expenses	1,412	1,525
<b>Amounts due within one year</b>		
Capital gains tax payable	1,739	6,140
Total liabilities	4,625	9,603

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 June 2020 (2019: 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 Investment 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 June 2020 (2019: 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 Manager. 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 June is the carrying amount of the financial assets as set out below.

	2020 Amounts due within 1 year \$'000	2019 Amounts due within 1 year \$'000
Amounts from brokers	15,541	2,079
Dividends receivable	2,809	2,512
Other receivable and prepayments	212	193
Cash and cash equivalents	16,530	19,487
	<b>35,092</b>	24,271

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

### Credit Risk – Participatory Notes

As at 30 June 2020 the Fund held no P Notes (2019: 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. P Notes are not used for the purposes of hedging risk. Although each 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 Advisor deems credit worthy. 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 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 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. The Fund has the right under the lending agreement to recover the securities from the borrower on demand. In case of default by the borrower, the responsibility to 'make good' the transaction falls to the Lending Agent.

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

# Notes to the Financial Statements

continued

## 14. Financial Risk Management continued

### (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 2020 or 2019. The majority of the Fund's net financial assets were non interest bearing (97.55% on average over the twelve-month period to 30 June 2020 (2019: 98.51%)). 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.

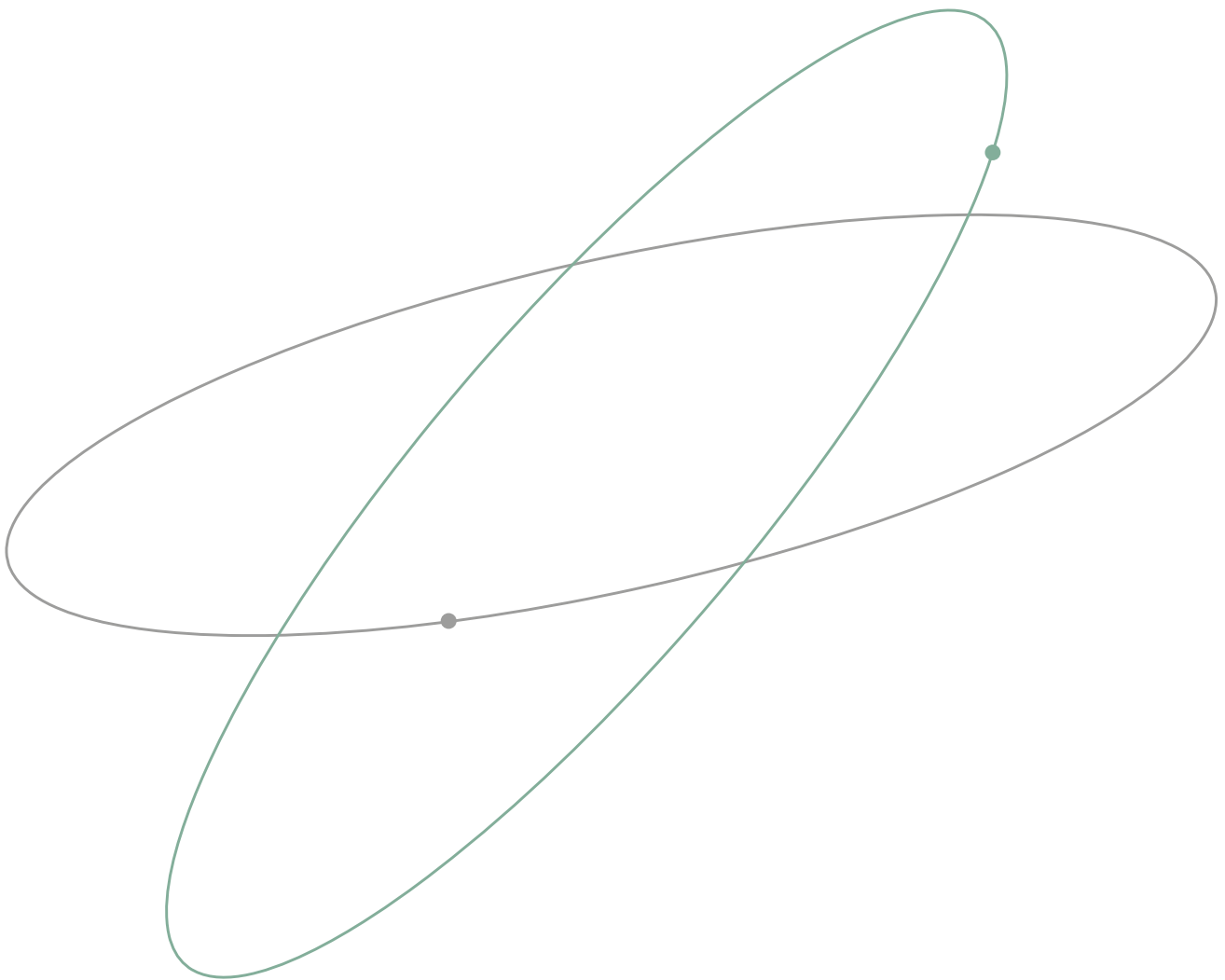
## 16. Events After Reporting Date

On 30 September 2020, the Board proposed a dividend of 17.0¢ per Participating Preference Share subject to Shareholder approval.

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



## ● Other Information



# Remuneration Disclosure

## unaudited

AIFMD requires certain qualitative and quantitative disclosures on the remuneration of the Investment Manager to assist the understanding of the risk profile of the Fund.

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

The table below includes the remuneration of Genesis' Partners, Non-Executives and Staff in relation to their management of the Fund's activities during the 2019 calendar year for Genesis Investment Management, LLP and Genesis Asset Managers, LLP (a member of the Genesis Group and the Fund's former Investment Manager until 30 June 2019).

Fixed remuneration includes Staff salary and pension costs as well the fees of Genesis' Non-Executive Directors. Variable remuneration includes Staff bonus, long term incentive awards, profit distributions due to Partners and deferred remuneration, all managed in accordance with Genesis' remuneration policies. Although Partners are advanced an equal fixed level of drawings, their remuneration is entirely dependent on the Investment Manager's overall profitability and hence is classified as variable.

	<b>Year ended 31 December 2019 US\$000</b>
Fixed remuneration	498
Variable remuneration	3,848
Total remuneration	4,346
Number of beneficiaries	71

The aggregate amount of remuneration of Senior Management and members of Staff whose actions have a material impact on the risk profile of the Fund was US\$3,848,000.

The Investment Manager's remuneration policy is available on request to investors in the Fund and the Investment Manager's contact details are shown in the Administration section on page 75.

# Administration

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## Registered Office

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

## Website

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

## 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  
*(Authorised and regulated by the United Kingdom's  
Financial Conduct Authority)*

## Administrator and Company Secretary

J.P. Morgan Administration Services (Guernsey) Limited  
1st Floor, Les Echelons Court  
Les Echelons  
South Esplanade  
St. Peter Port  
Guernsey GY1 6JB  
Channel Islands  
*(Authorised and regulated by the Guernsey Financial  
Service Commission)*

## Registrar

Computershare Investor Services  
(Guernsey) Limited  
13 Castle Street  
St. Helier  
Jersey JE1 1ES  
Channel Islands  
Telephone: +44 (0) 370 707 4040  
[www.investorcentre.co.uk/je](http://www.investorcentre.co.uk/je)

## Stockbrokers

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

Jefferies International Limited  
100 Bishopsgate  
London EC2N 4JL  
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 June 2020, the NAV per Participating Preference Share was £8.23 or \$10.17 (2019: £8.44 or \$10.75).

## 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 June 2020, the NAV per Participating Preference Share Total Return in GBP was (0.8)% (2019: 9.0%). The calculation of these figures is shown in the table below:

		30 June 2020	30 June 2019
Opening NAV per Participating Preference Share (p)	(a)	844.2493	790.3749
Closing NAV per Participating Preference Share (p)	(b)	823.3735	844.2493
Dividend paid (p)	(c)	14.7774	14.7561
NAV per Participating Preference Share on month end of ex-dividend (p)	(d)	839.4898	735.8528
Dividend adjustment factor (e = (c ÷ d) +1)	(e)	1.017603	1.020053
Adjusted closing NAV per Participating Preference Share (p) (f = b x e)	(f)	837.8672	861.1791
<b>Net Asset Value per Participating Preference Share Total Return</b> <b>(g = (f - a) ÷ a x 100)</b>	(g)	<b>(0.8)%</b>	9.0%

## 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.

## 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.

\*Alternative Performance Measure

For the year ended 30 June 2020, the Share Price Total Return in GBP was (3.3)% (2019: 11.1%). The calculation of these figures is shown in the table below:

		30 June 2020	30 June 2019
Opening Share Price (p)	(a)	757.00	697.00
Closing Share Price (p)	(b)	718.00	757.00
Dividend paid (p)	(c)	14.7774	14.7561
Share Price on month end of ex-dividend (p)	(d)	766.00	641.00
Dividend adjustment factor (e = (c ÷ d) +1)	(e)	1.019292	1.02302
Adjusted closing Share Price (p) (f = b x e)	(f)	731.8514	774.4265
<b>Share Price Total Return (g = (f - a) ÷ a x 100)</b>	(g)	<b>(3.3)%</b>	11.1%

### 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 June 2020, the discount was 12.8% (2019: 10.3%).

### 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 June 2020, the ongoing charges ratio was 1.07% (2019: 1.11%). The reduction of the ongoing charges ratio is due to the reduction in management fees from 0.95% to 0.9% on 1 July 2019 and the calculation of these figures is shown in the table below:

		30 June 2020	30 June 2019
Total operating expenses (\$)	(a)	15,191,000	16,144,000
Transaction costs (\$)	(b)	1,675,000	1,814,000
One-off charges (\$)	(c)	–	675,000
Annualised ongoing charges (\$) (d = a – b – c)	(d)	13,516,000	13,655,000
Average monthly net assets (\$)	(e)	1,259,235,000	1,234,179,000
<b>Ongoing charges ratio (f = d ÷ e)</b>	(f)	<b>1.07%</b>	1.11%

### Active Share\*

Active Share is a measure of the percentage which stock holdings in the Fund differ from the constituents of the benchmark, the MSCI EM Index. Active share is calculated by taking the sum of the absolute difference between the weights of the holdings in the fund and those in the MSCI EM Index and dividing the result by two.

\*Alternative Performance Measure

# Notice of Annual General Meeting

**This Notice of Meeting is an important document. If you are in any doubt as to what action to take, you should consult an appropriate independent adviser.**

**The safety and wellbeing of the Fund's shareholders is of utmost importance to the Fund. In light of Government guidance around social distancing and travel restrictions and in accordance with industry guidance on the conduct of annual general meetings, shareholders will not be permitted to attend this year's AGM in person. Please do not travel to the meeting as regrettably you will not be given access to the building.**

**The Fund will ensure that the meeting is conducted in accordance with its Articles of Association and all legal requirements. It should be noted that only sufficient Directors or their proxies propose to attend the AGM to ensure that the meeting will be quorate.**

**The AGM will comprise only the formal votes for each resolution set out in this Notice. Shareholders are requested to exercise their vote by completing and signing the form of proxy.**

**The Board will continue to monitor Government and industry guidance on COVID-19. In the event that the situation surrounding COVID-19 should affect the plans to hold the AGM the Board will update shareholders through an announcement to the London Stock Exchange and will provide further details on the Fund's website.**

Notice is hereby given of the thirty-first Annual General Meeting of the shareholders of Genesis Emerging Markets Fund Limited (the 'Fund') which is to be held at the Fund's registered office at 1st Floor, Les Echelons Court, Les Echelons, South Esplanade, St. Peter Port, Guernsey GY1 6JB, Channel Islands on Monday, 2 November 2020 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 June 2020;
2. To approve the Directors' Remuneration Report for the year ended 30 June 2020;
3. To re-appoint KPMG Channel Islands Limited as Independent Auditor to the Fund;
4. To authorise the Directors to agree the remuneration of the Independent Auditor;
5. To declare a final dividend of 17.0¢ per Participating Preference Share to be paid in respect of the financial year ended 30 June 2020;
6. To elect Mr Torsten Koster as a Director of the Fund;
7. To re-elect Mr Sujit Banerji as a Director of the Fund;
8. To re-elect Dr Simon Colson as a Director of the Fund;
9. To re-elect Mr Russell Edey as a Director of the Fund;
10. To re-elect Ms H  l  ne Ploix as a Director of the Fund; and
11. To re-elect Ms Katherine Tsang as a Director of the Fund.



## Special Resolution

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

THAT, In substitution for the Fund'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 18,207,866;
- (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 2021 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.

