Templeton Emerging Markets IT

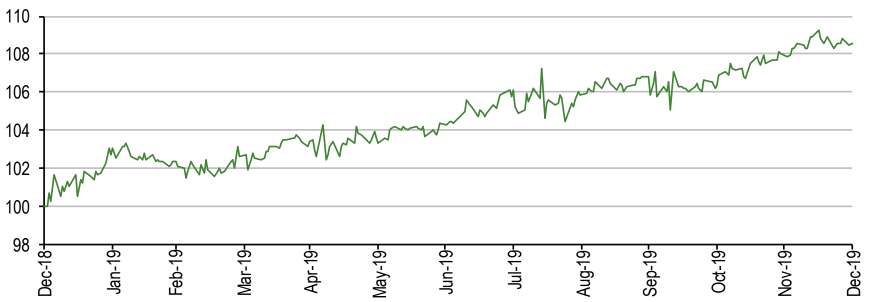
Exciting opportunities and improved performance

Investment trusts
Emerging market equities

30 January 2020

Templeton Emerging Markets Investment Trust (TEMIT) has two experienced managers – Chetan Sehgal (based in Singapore) and Andrew Ness (based in Edinburgh). In 2019, they delivered a very strong year of performance in both absolute and relative terms, and are continuing to find attractive investment opportunities across a range of sectors and geographies. The managers are able to draw on a large and well-resourced investment team that has been refreshed in recent years, seeking quality companies that can be held for the long term. Ness says that TEMIT offers a portfolio with superior growth prospects, that is trading broadly in line with its benchmark, the MSCI Emerging Markets index.

Steady NAV outperformance versus the benchmark in 2019



Source: Refinitiv, Edison Investment Research

The market opportunity

Emerging markets offer the prospect of meaningfully higher growth compared with developed economies; reasons for this include a rapidly expanding middle class with higher levels of disposable income, and robust levels of infrastructure spending. In addition, emerging market equities are relatively attractively valued compared with the world market, trading on lower earnings and price-to-book multiples, while offering a superior dividend yield.

Why consider investing in TEMIT?

- Broad exposure to emerging market equities across the market cap spectrum.
- Steady outperformance in 2019, which added to positive longer-term track record.
- Strong performance versus its peers over the last one, three and five years.
- Managers are able to draw on Franklin Templeton's well-resourced emerging markets investment team (more than 80 professionals in 16 regional offices).

Narrower discount and growing dividend

TEMIT's shares are currently trading at a 10.1% discount to cum-income NAV, which compares with the 10.1% to 12.1% range of average discounts over the last one, three, five and 10 years. The trust historically paid a single annual dividend, but now pays out twice a year in July and January. TEMIT's FY19 dividend was 6.7% higher year-on-year, and it currently yields 1.9%.

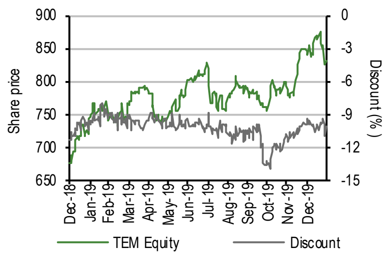
Price	**832.0p**
Market cap	**£2,025m**
AUM	**£2,373m**

NAV*	910.8p
Discount to NAV	8.7%
NAV**	925.7p
Discount to NAV	10.1%

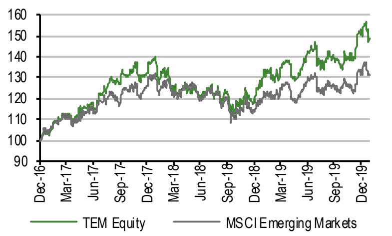
*Excluding income. **Including income. As at 28 January 2020.

Yield	1.9%
Ordinary shares in issue	243.3m
Code	TEM
Primary exchange	LSE
AIC sector	Global Emerging Markets
Benchmark	MSCI Emerging Markets

Share price/discount performance



Three-year performance vs index



52-week high/low	876.0p	731.0p
NAV** high/low	971.4p	813.9p

**Including income.

Gearing

Net*	0.3%

*As at 31 December 2019.

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Edison profile page

Templeton Emerging Markets Investment Trust is a research client of Edison Investment Research

Exhibit 1: Trust at a glance

Investment objective and fund background

Launched in June 1989, TEMIT was one of the first emerging markets funds in the UK. The trust seeks long-term capital appreciation through investment in companies operating in emerging markets, or listed on the stock markets of such countries. This may include companies that have a significant amount of their revenues in emerging markets, but which are listed on stock exchanges in developed countries. Performance is benchmarked against the MSCI Emerging Markets Index.

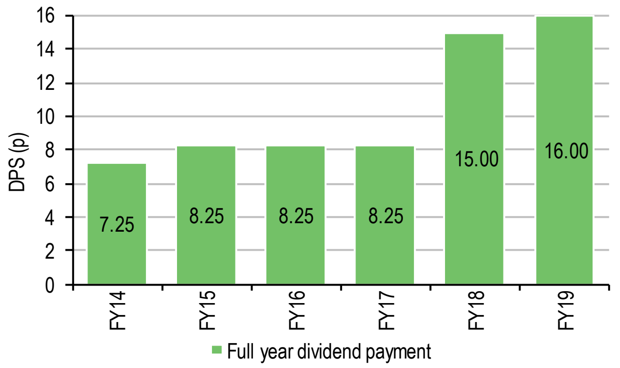
Recent developments

- 25 November 2019: Interim report to 30 September 2019. NAV TR +6.3% versus benchmark TR +2.2%. Share price TR +4.4%. Announcement of 5.0p interim dividend (flat year-on-year) plus 2.6p special dividend.
- 5 June 2019: Annual results to 31 March 2019. NAV TR +1.8% versus benchmark TR +0.1%. Share price TR +6.0%. Announcement of 11.0p final dividend.
- 3 May 2019: Announcement of conditional tender offer (see page 8).

Forthcoming		Capital structure		Fund details	
AGM	July 2020	Ongoing charges	1.02%	Group	Templeton Asset Management
Final results	June 2020	Net gearing	0.3%	Managers	Chetan Sehgal and Andrew Ness
Year end	31 March	Annual mgmt fee	0.85–1.0% of net assets (see page 8)	Address	5 Morrison Street, Edinburgh, EH3 8BH, UK
Dividend paid	July and January	Performance fee	None		
Launch date	12 June 1989	Trust life	Indefinite (subject to vote)	Phone	+44 (0)871 384 2505
Continuation vote	Five yearly (next in 2024)	Loan facilities	£220m	Website	www.temit.co.uk

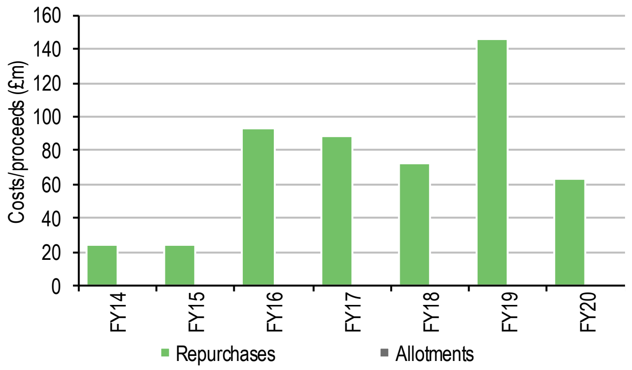
Dividend policy and history (financial years)

FY18 dividend was boosted by a change in fee allocations. Dividends were historically paid annually in July, but starting in FY19, are paid twice a year in July and January.

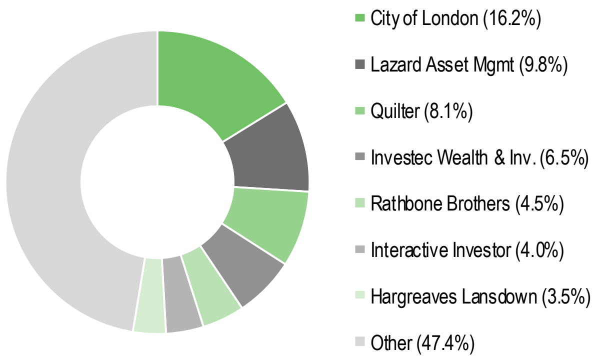


Share buyback policy and history (financial years)

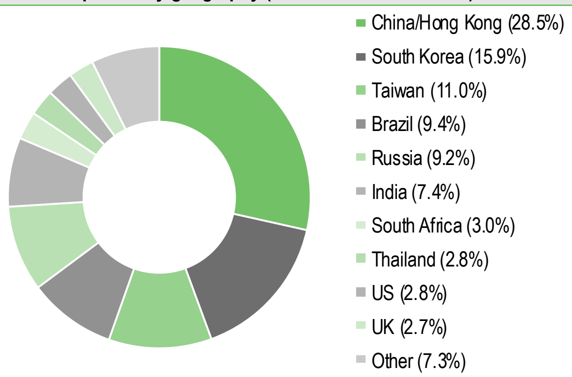
Subject to annual renewal, TEMIT is authorised to repurchase up to 14.99% and allot up to 5% of its issued ordinary shares.



Shareholder base (as at 17 January 2020)



Portfolio exposure by geography (as at 31 December 2019)



Top 10 holdings (as at 31 December 2019)

			Portfolio weight %	
Company	**Country**	**Sector**	**31 December 2019**	**31 December 2018***
Taiwan Semiconductor Manufacturing	Taiwan	Information technology	8.3	6.4
Samsung Electronics	South Korea	Information technology	7.8	7.6
Tencent	China/Hong Kong	Communication services	6.8	3.1
Alibaba (ADR)	China/Hong Kong	Consumer discretionary	6.2	4.3
ICICI Bank	India	Financials	4.3	3.6
NAVER	South Korea	Communication services	3.0	N/A
LUKOIL (ADR)	Russia	Energy	2.8	2.5
Unilever	UK	Consumer staples	2.7	3.2
Brilliance China Automotive	China/Hong Kong	Consumer discretionary	2.6	2.9
Sberbank of Russia (ADR)	Russia	Financials	2.4	N/A
Top 10 (% of holdings)			**46.9**	**42.8**

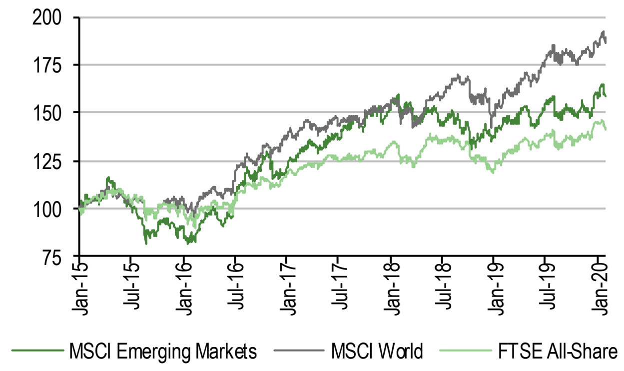
Source: Templeton Emerging Markets Investment Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-December 2018 top 10.

Market outlook: Lower valuations, higher growth

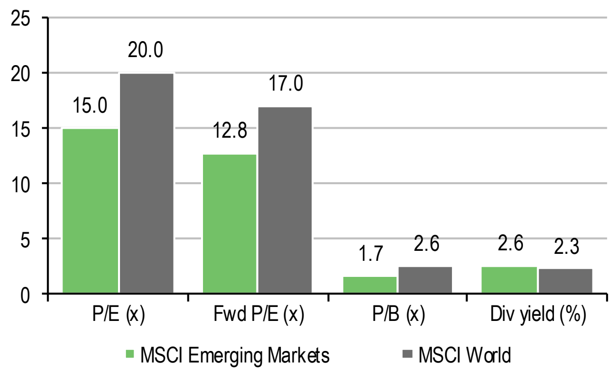
Over the last five years, emerging markets have outperformed the UK, but have been unable to keep up with global shares, which have been driven by the dominant US market (Exhibit 2, LHS). Despite macro uncertainties, including the dispute between the US and its trading partners and the resulting concerns about global growth, investors enjoyed above average total returns in all three regions in 2019, and the bullish sentiment has so far continued into 2020. Share prices have generally risen on multiple expansion, rather than appreciating on the back of robust earnings growth, but as shown in the bar chart below, emerging markets continue to trade at a discount to the world market, while offering a superior yield. In its October 2019 World Economic Outlook, the International Monetary Fund forecast GDP growth for emerging markets and developing economies of 3.9% and 4.6% for 2019 and 2020 respectively, considerably higher than 1.7% for advanced economies in both years. Taken in aggregate, relatively lower valuations and higher economic growth in emerging markets may warrant an allocation from global investors looking to diversify their portfolios away from mainstream developed markets, such as the UK, Europe and the US.

Exhibit 2: Market performance and valuation

Performance of indices in £ (last five years)



Valuation metrics (as at 31 December 2019)



Source: Refinitiv, Edison Investment Research, MSCI

Fund profile: Emerging markets equity specialist

TEMIT was launched in June 1989, and is quoted on the London and New Zealand stock exchanges. It is managed by Franklin Templeton Emerging Markets Equity (FTEME), which has c $35bn of assets under management. Lead manager since 1 February 2018, Chetan Sehgal (based in Singapore) and co-manager Andrew Ness (based in Edinburgh), who joined FTEME in September 2018, aim to generate long-term capital growth from a diversified portfolio of emerging market equities. TEMIT's performance is benchmarked against the MSCI Emerging Markets Index. Up to 10% of the trust's assets (at the time of investment) may be held in the securities of any one issuer, and gearing of up to 10% of NAV is permitted (net gearing of 0.3% at end-December 2019).

The fund managers: Chetan Sehgal and Andrew Ness

The manager's view: Earnings growth led by Asia and LatAm

Ness explains that while emerging markets delivered an above average c 15% return (in dollar terms) in 2019, this was roughly half the appreciation of the US market. However, they performed relatively better in Q419, driven by renewed confidence in the strength of the global economy. The manager highlights the diversity between the emerging markets that performed particularly well, including Russia, Taiwan and Brazil, and those that underperformed, such as Argentina, Chile and Poland. He suggests this indicates that stock price moves were once again driven by company fundamentals, rather than top-down macro factors. Ness says that since 2000, company-specific factors have been the core driver of emerging market equities, whereas historically, macro issues had more impact on returns in the regions.

For 2020, Ness does not expect significant changes to the emerging markets investment backdrop. He suggests that global growth is stable, but hopes of a cyclical recovery are yet to be borne out. In China, purchasing manager indices are levelling out and the service sector is robust. The manager says that the US economy is critical from a global perspective, although given 'okay' wage growth in the country, it is difficult to envisage a recession; essentially he suggests economic growth is 'steady as she goes'.

Ness says that consensus estimates for earnings growth in emerging markets signal a high single-digit decline for 2019 and 17% growth for 2020 (+21% in Asia Pacific, +15% in Latin America and +6% in Europe). Within Asia, Korean technology companies are experiencing positive earnings revisions, such as Samsung, which is seeing an upturn in its memory chip operations. Taiwan Semiconductor Manufacturing has issued positive guidance, helped by an acceleration in orders ahead of the 5G roll-out, while Tencent is benefiting from higher revenues as its advertising and gaming operations recover from a cyclical soft patch.

Asset allocation

Investment process: Diligent, bottom-up stock selection

FTEME has a team of more than 80 analysts and portfolio managers in 16 offices around the globe; in recent years, the levels of collaboration and communication within the team have been improved, and Ness comments that the team is 'functioning very well'. Stocks are selected on a bottom-up basis; the managers seek companies with sustainable earnings growth, which are trading at a discount to their intrinsic worth, and can be held for the long term. An analysis of a company's environmental, social and governance track record is integrated into the three-stage investment process of idea generation, stock research and portfolio construction. Risk management is embedded across all three stages and includes an independent risk review.

TEMIT's portfolio is diversified by geography, sector and market cap, and typically holds between 70 and 100 positions. The managers explain that there is a wide dispersion in returns between individual companies and sectors within emerging markets, which can provide opportunities from fundamental investing. TEMIT's active share (a measure of how a fund differs from its benchmark, with 0% representing full index replication and 100% no commonality) is currently towards the lower end of the 70-85% range over the last five years; this is a function of the outperformance of large-cap emerging market stocks.

While Sehgal and Ness are keen to stress that they invest on a bottom-up basis, there are consistent themes within TEMIT's portfolio:

- **Technology** – the managers see huge opportunities in the areas of e-commerce, disruption and data. Portfolio companies benefiting from these trends include B2W Digital (Brazil), Cognizant (US), Naspers (South Africa), Tencent (China) and Yandex (Russia).
- **Emerging market consumers** – under-penetration in many emerging economies is providing significant growth opportunities, such as for mortgages, while the growing middle classes are driving demand for premium products, including BMWs in China, which is benefiting the trust's holding in Brilliance China Automotive.
- **All-cap opportunities** – while TEMIT typically has a bias to larger-cap companies, the FTEME investment team is able to find attractive investment opportunities across the market cap

spectrum (c 15% of the fund is held in companies with a market cap of less than $5bn, although within this, there is a bias to companies below $2bn).

- **Corporate governance** – across the emerging regions, companies are adopting better standards, including higher levels of reporting and engagement with shareholders. As an example, ICICI Bank recently held its first analyst meeting, discussing the company's medium- and long-term strategic direction. Capital discipline is improving in emerging markets, in terms of capex, a greater focus on returns on investment, and returning cash to shareholders. Ness suggests that, over time, higher corporate governance standards should make emerging markets a more attractive destination for international investors.

Current portfolio positioning

At end-December 2019, TEMIT's top 10 positions made up 46.9% of the fund, which was a higher concentration compared to 42.8% a year earlier; eight positions were common to both periods. There have been modest changes in TEMIT's sector exposure over the last 12 months, with a higher weighting in IT (+3.4pp) and consumer discretionary (+3.1pp) and a lower exposure to communication services (-2.4pp).

Exhibit 3: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end-December 2019	Portfolio end-December 2018	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	24.8	26.2	(1.4)	24.2	0.6	1.0
Information technology	22.1	18.7	3.4	15.7	6.4	1.4
Consumer discretionary	17.8	14.7	3.1	14.2	3.6	1.3
Communication services	15.1	17.5	(2.4)	11.0	4.1	1.4
Energy	7.2	7.7	(0.5)	7.4	(0.2)	1.0
Consumer staples	5.4	6.8	(1.4)	6.3	(0.9)	0.9
Materials	4.0	3.6	0.4	7.4	(3.4)	0.5
Industrials	2.3	2.5	(0.2)	5.3	(3.0)	0.4
Healthcare	1.6	2.3	(0.7)	2.8	(1.2)	0.6
Real estate	0.0	0.4	(0.4)	3.0	(3.0)	0.0
Utilities	0.0	0.0	0.0	2.6	(2.6)	0.0
Other net assets	(0.3)	(0.4)	0.1	0.0	(0.3)	N/A
	100.0	**100.0**		**100.0**		

Source: Templeton Emerging Markets Investment Trust, Edison Investment Research

In terms of geographic exposure, over the last year there has been a notable increase in China/Hong Kong (+7.1pp), with a lower weighing in South Africa (-4.2pp). While China/Hong Kong is TEMIT's largest exposure, Ness explains that this is slightly underweight the benchmark allocation – China is considered by the managers to be a competitive place to do business, which can limit potential returns, and within the country they are finding the most attractive opportunities in the consumer sectors.

Exhibit 4: Portfolio geographic exposure (% unless stated)

	Portfolio end-December 2019	Portfolio end-December 2018	Change (pp)
China/Hong Kong	28.5	21.4	7.1
South Korea	15.9	14.6	1.3
Taiwan	11.0	10.3	0.7
Brazil	9.4	9.4	0.0
Russia	9.2	8.2	1.0
India	7.4	7.4	0.0
South Africa	3.0	7.2	(4.2)
Thailand	2.8	4.3	(1.5)
US	2.8	1.2	1.6
UK	2.7	3.2	(0.5)
Other	7.3	12.8	(5.5)
	100.0	**100.0**	

Source: Templeton Emerging Markets Investment Trust, Edison Investment Research

Ness says that TEMIT's portfolio turnover is reasonably low. He highlights some of the transactions in recent months, including a new position in China Merchants Bank, which the manager suggests has the best consumer franchise in the country; he has confidence in its long-term retail and associated fee businesses. Fila Korea was purchased; the sportswear firm operates in an attractive market and is benefiting from the 'wellness cycle' and the re-invigoration of a well-established brand. Ness says this company is a good example of the team's ability to identify attractive small-cap opportunities. The managers repurchased a position in Sunny Optical Technology (phone camera lenses); its shares had pulled back on concerns about its customer Huawei being added to the US Entity List of companies subject to specific licensing requirements to export to the US. Since purchase, the stock has been an important contributor to TEMIT's performance. Vale is another new holding in the fund; the managers suggest that following the company's second mining disaster in January 2019, a renewed focus on safety means a third incident is unlikely. They expect substantial governance changes in terms of safety and regulatory oversight, while they are also confident on the medium-term prospects for iron ore. Portfolio sales include Bank Danamon Indonesia, which was taken over by Japanese bank Mitsubishi UFJ, while the holding in Ping An Bank (China) was trimmed following significant share price appreciation – the China 'A' share market was very strong in 2019, despite the overhang of the US-China trade dispute.

The manager highlights TEMIT's holding in South Korean search engine NAVER, which is now a top 10 position. He says that its core advertising business is performing well, but the firm has incurred losses in some operations, such as mobile messaging app Line. However, Ness believes that 'headwinds are turning into tailwinds', helped by increased penetration in e-commerce and payment solutions, which he suggests have the potential to generate substantial long-term revenue growth. In addition, NAVER and SoftBank have announced an agreement to merge Line and the portal Yahoo! Japan, which will create the largest Japanese mobile platform, and should enhance NAVER's return profile.

Performance: Good long-term relative track record

Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI Emerging Markets (%)	MSCI World (%)	FTSE All-Share (%)
31/12/15	(24.0)	(23.1)	(9.7)	5.5	1.0
31/12/16	47.8	49.2	33.1	29.0	16.8
31/12/17	32.5	30.8	25.8	12.4	13.1
31/12/18	(10.7)	(11.6)	(8.9)	(2.5)	(9.5)
31/12/19	27.1	24.1	14.3	23.4	19.2

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

In H120 (ending 30 September), TEMIT's NAV and share price total returns of 6.3% and 4.4% respectively were ahead of the 2.2% total return of the MSCI Emerging Markets Index. Of the 4.1pp NAV excess return, c 56% was due to stock selection, c 35% to sector allocation and c 9% to currency. The top three stock contributors to relative returns were Brilliance China Automotive (+0.8pp – Chinese government measures to support car sales and the announcement of a special dividend); Gazprom (+0.6pp – higher than expected dividend and an increase in the payout ratio); and Sunny Optical Technology (+0.6pp – better than expected operational results). The largest detractors were Massmart (-0.4pp – weak merchandising, online competition, slowing revenue growth, lack of dividend payment and CEO/CFO departures); Glenmark Pharmaceuticals (-0.4pp – weak US revenues and higher research & development costs); and HDC Hyundai Development (-0.3pp – government regulation affected profitability, and the announcement of an acquisition outside of its core business). In terms of sectors, the top and bottom contributors to returns were IT (+1.4pp) and consumer staples (-0.6pp), while on a geographic basis, China/Hong Kong was the standout positive (+2.3pp), with the US and Indonesia both detracting by 0.3pp.

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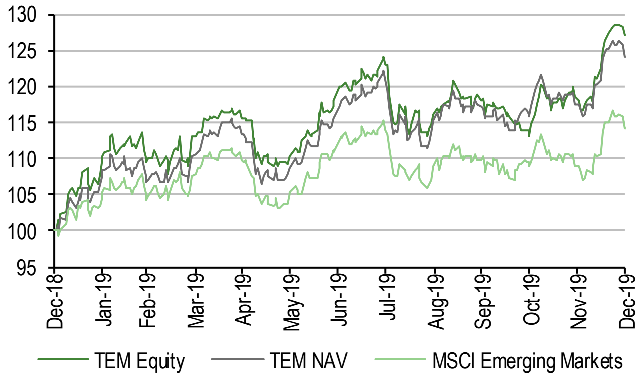
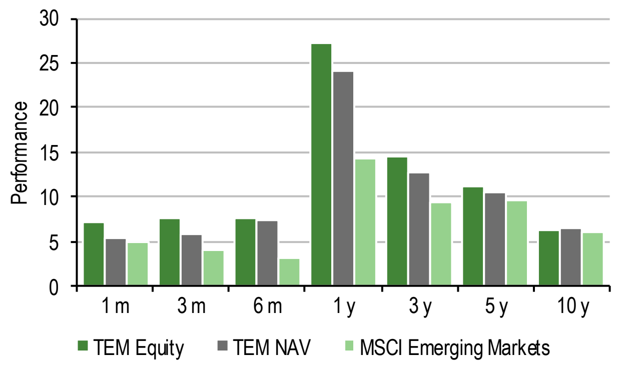
Exhibit 6: Investment trust performance to 31 December 2019

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

In 2019, TEMIT's NAV and share price total returns of +24.1% and +27.1% were meaningfully ahead of the benchmark's +14.3% total return (Exhibits 5 and 6). Ness explains that the fund outperformed in most of the sectors, led by financials and IT, while on a geographic basis, the best contributors were China/Hong Kong and South Korea. Broadly similar to H120 performance, at the stock level, the top contributors were Brilliance China Automotive and Taiwan Semiconductor Manufacturing, while the largest detractors were Glenmark Pharmaceuticals and Massmart.

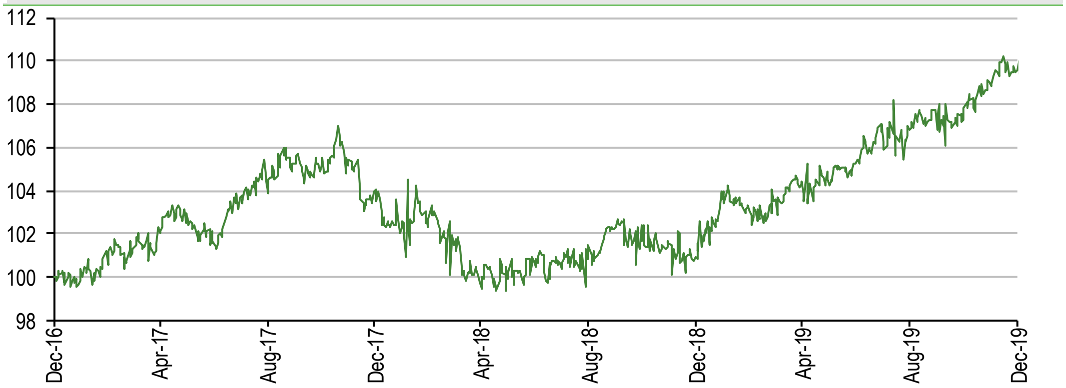
As illustrated in Exhibit 7, TEMIT has now outperformed its benchmark in both NAV and share price terms over all periods shown. The trust has also outperformed the MSCI World Index over three years and shorter periods; this is notable given the strong returns of the dominant (c 65% of the index) US market in recent years. TEMIT has also outpaced the performance of the FTSE All-Share index over the last five years and less.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI Emerging Markets	2.0	3.4	4.4	11.2	14.8	7.3	2.5
NAV relative to MSCI Emerging Markets	0.5	1.7	4.1	8.6	9.6	4.5	4.7
Price relative to MSCI World	6.5	6.5	2.4	3.0	11.2	(8.1)	(41.7)
NAV relative to MSCI World	4.9	4.7	2.1	0.5	6.1	(10.6)	(40.5)
Price relative to FTSE All-Share	3.7	3.3	2.0	6.7	23.3	17.5	(14.9)
NAV relative to FTSE All-Share	2.1	1.6	1.7	4.1	17.6	14.4	(13.1)

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2019. Geometric calculation.

Exhibit 8: NAV total return performance relative to benchmark over three years

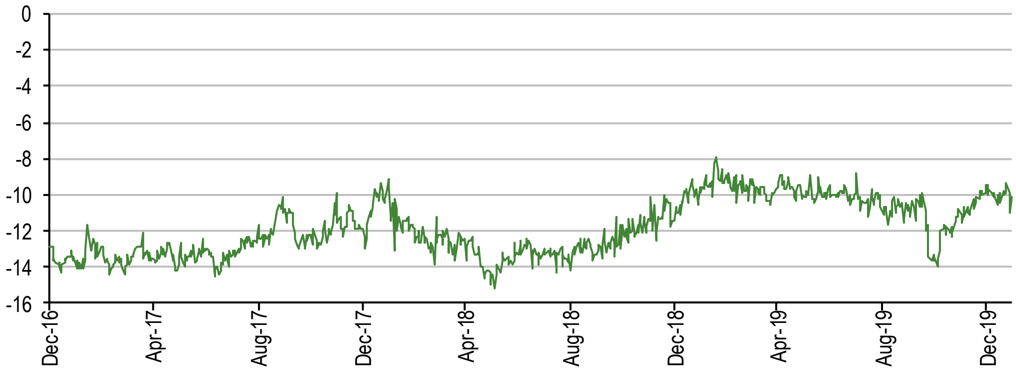


Source: Refinitiv, Edison Investment Research

Discount: Towards narrower end of three-year range

TEMIT's board actively repurchases shares on most business days, aiming to control the discount. In H120, c 5.9m were bought back (2.3% of the share base) at a cost of £45.8m, which added 0.2% to NAV per share. The trust is currently trading at a 10.1% discount to cum-income NAV, which is around the middle of the 7.9% to 14.0% range of discounts over the last 12 months. It compares with the 10.3%, 11.8%, 12.1% and 10.1% average discounts over the last one, three, five and 10 years respectively. TEMIT's discount widened in late October 2019, due to selling pressure from a particular shareholder; once this had abated, the discount subsequently narrowed.

Exhibit 9: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

TEMIT is a conventional investment trust with one class of share; there are currently 243.3m ordinary shares in issue. It has a £220m three-year unsecured multicurrency (sterling, US dollars and Chinese renminbi) borrowing facility with The Bank of Nova Scotia; the maximum amount of renminbi that can be drawn is equivalent to £44m. The facility expires on 31 January 2020 and the board is currently reviewing options for continued gearing. At end-December 2019, TEMIT had a modest 0.3% net gearing – the managers are more likely to employ a higher level of gearing following a period of emerging market weakness.

FTEME is paid an annual management fee of 1.0% of net assets up to £1bn and 0.85% of net assets above this level; no performance fee is payable. In H120, TEMIT's ongoing charges were 1.02%, which was in line with FY19.

TEMIT is subject to a five-yearly continuation vote, next due at the July 2024 AGM (the July 2019 vote was passed by a c 100% majority). In May 2019, the board announced a five-year, performance-related conditional tender offer, subject to the next continuation vote being passed. If the trust's NAV performance lags its benchmark in the five years ending 31 March 2024, the board will undertake a tender offer for up to 25% of TEMIT's shares in issue, at a price equivalent to the prevailing NAV minus 2% and the costs of the offer.

Dividend policy and record

TEMIT aims to generate capital growth rather than focusing on a particular level of income, although as noted in Exhibit 2, emerging markets now have a higher average dividend yield than global equities. The trust now pays dividends twice a year in January and July, rather than a single annual distribution in July. In H120, the 5.0p (fully covered) interim dividend was in line with H119, but the board also announced a special dividend of 2.6p per share, due to the receipt of a special dividend from portfolio company Brilliance China Automotive. TEMIT has significant revenue reserves (£126.2m at end-H120, which is equivalent to c 3x the FY19 dividend). The trust currently offers a 1.9% dividend yield.

Peer group comparison

In Exhibit 10, we show the eight largest funds in AIC Global Emerging Markets sector; TEMIT is the biggest by quite some margin. The trust has a strong performance record, with its NAV total return ranking third over the last year (4.0pp above average) and second over three and five years (9.7pp and 6.8pp above average respectively). Sehgal and Ness are very encouraged by TEMIT's performance, especially given the change in the trust's manager line-up over the last three years. Over the last decade, TEMIT ranks fourth out of five funds. Its discount is wider than the mean, it has a competitive ongoing charge and a dividend yield that is modestly below average. The trust currently has negligible gearing.

Exhibit 10: Selected global emerging markets peer group as at 28 January 2020*

% unless stated	Market cap (£m)	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Templeton Emerging Markets IT	2,005.1	16.1	35.0	52.2	97.5	(11.0)	1.0	No	100	1.9
Aberdeen Emerging Markets	279.5	15.3	22.5	48.1	76.5	(13.7)	1.0	No	104	0.0
BlackRock Frontiers	301.1	0.1	2.9	35.5		0.7	1.4	Yes	115	4.7
Fundsmith Emerging Equities Trust	295.7	6.1	20.6	23.4		(12.7)	1.5	No	100	0.2
Genesis Emerging Markets Fund	949.9	16.7	25.1	46.5	97.8	(11.3)	1.1	No	100	1.9
JPMorgan Emerging Markets	1,238.2	17.8	42.9	70.2	146.2	(9.8)	1.0	No	100	1.4
JPMorgan Global EM Income	395.3	13.9	27.5	43.7		(6.2)	1.3	No	108	3.8
Utilico Emerging Markets	531.4	10.6	25.7	43.5	158.1	(12.2)	1.1	Yes	115	3.3
Average (8 trusts)	**749.5**	**12.1**	**25.3**	**45.4**	**115.2**	**(9.5)**	**1.2**		**105**	**2.1**
TEM rank in peer group	**1**	**3**	**2**	**2**	**4**	**4**	**6=**		**6**	**4**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 27 January 2020 based on ex-par NAVs. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

TEMIT's board has six directors, five of whom are independent. The chairman is Paul Manduca (appointed on 1 August 2015, chairman since 20 November 2015). Beatrice Hollond (senior independent director since 12 July 2018) joined the board on 1 April 2014; Simon Jeffreys on 15 July 2016; David Graham on 1 September 2016; and Charlie Ricketts on 12 July 2018. The non-independent director is Gregory Johnson, who is chairman and CEO of Franklin Resources (FTEME's parent) and was appointed on 12 December 2007.

At the July 2019 AGM, there was a c 25% vote against the re-election of Johnson. The board engaged with these dissenting shareholders to better understand their views; the primary feedback was that some shareholders have a policy of voting against the re-election of non-independent investment trust directors. As a result, the board will give the views expressed further consideration.

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