

This document is issued by Franklin Templeton International Services S.à r.l. ("FTIS") in order to make certain particular information available to existing investors in the Alternative Investment Fund ("the Company" or "TEMIT") noted below before they invest, in accordance with the requirements of the Alternative Investment Fund Managers Directive. It is made available to existing investors by being available at [www.temit.co.uk](http://www.temit.co.uk).

FTIS has its registered office at 8A rue Albert Borschette, L-1246, Luxembourg and which is registered with the RCS under number 36.979.

Potential investors in the Company's shares may wish to consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

# Templeton Emerging Markets Investment Trust PLC

## INVESTOR DISCLOSURE DOCUMENT

### IMPORTANT INFORMATION

#### **Regulatory status of the Company**

Templeton Emerging Markets Investment Trust PLC ("TEMIT" or "the Company") is an "alternative investment fund" ("AIF") for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFM Directive").

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange and the New Zealand Stock Exchange. The Company is subject to its articles of association, the Listing Rules, the Disclosure and Transparency Rules, the UK Corporate Governance Code and the Companies Act 2006. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The provisions of the Company's articles of association are binding on the Company and its shareholders. The articles of association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by Scots law.

### **Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to existing investors and, to the fullest extent permitted under applicable law and regulations, the Company and its Directors will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

### **No advice**

The Company and its Directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

## **Risk profile / Risk management systems**

The current risk profile of the Company, including the risks the Company is or may be exposed to, is described within the risk and risk management related content of the Annual Report for the year end March 31, 2017. The Annual Report also includes detailed information about the sensitivity of the Company to certain risks. The purpose of this document is to provide supplemental information to shareholders in the context of the Alternative Investment Fund Managers Directive (“AIFMD”) and has to be considered in conjunction with the risk management information already provided in the Annual Report.

The AIFM of the Company has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policy’s which cover the risks associated with the AIF and the adequacy and effectiveness of this framework is reviewed and approved at least annually. Regular reporting is prepared and reviewed by the AIFM’s Senior Management. The Board of TEMIT Plc is informed regularly about the risk profile and the risk measures monitored.

For each relevant risk area, risk limits are set by the AIFM which take into account the objectives, strategy and risk profile of the AIF including the risk linked to the use of a borrowing facility to invest into assets. These limits are monitored regularly as required by the nature of the risk area, and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables to the AIF. Exceptions from limits monitoring and stress testing would be reported to the Board of TEMIT Plc immediately along with remedial measures being taken.

Compared to the previous year end March 31<sup>st</sup> 2016, the use of the borrowing facility explained within the leverage section of this document can increase the risk profile of TEMIT. If the returns from the assets purchased with the proceeds of the loan facility do not cover the cost of borrowing or if the assets purchased decrease in value and the market value at the time of disposal is below the amount borrowed to purchase them the impact on the Company’s value could be negative. Currency fluctuations between the borrowing currency and the asset currency may also impact the performance adversely given that the Company doesn’t hedge currency risk. The risks are limited through the leverage limit set and the ongoing review of asset performance.

TEMIT’s assets consist mainly of listed securities and the principal risks in relation to the AIF are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details in relation to the nature and extent of these risks are already described in more detail in the Directors report and section 12 of the Notes to the Financial Statements.

Diversification and concentration limits are set for market risk and are monitored daily.

Amongst other measures considered regularly by the Investment Manager, the AIFM is assessing and monitoring market risk through relative Value at Risk (VaR) calculated using the Monte Carlo approach. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

The AIFM uses the relative VaR methodology. Relative VaR is simply the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the AIF's strategy and likely risk exposures.

The relative VaR ratio (using the MSCI Emerging Market Index) as at 31 March 2017 was 0.92.

The minimum, maximum and average relative VaR ratio observed during the period 1 April 2016 and 31 March 2017 are:

Minimum: 0.87

Maximum: 1.00

Average: 0.91

The figures observed during the period indicate that the risk, measured by the VaR methodology, was close to the one of the benchmark indicated above.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently. Risk statistics are subject to fluctuations and historical figures may not reflect current or future portfolio characteristics or could be translated into any performance outlook.

The AIFM assesses on a regular basis the sensitivity of the TEMIT Plc portfolio in relation to a general market drop of the MSCI Emerging Market index.

TEMIT's equity trading activity is conducted on a Delivery versus Payment basis ("DVP") with approved counterparties only, minimising counterparty exposure. Any counterparty is subject to a review and approval process prior to any trading activity. The risk function of the AIFM prepares and assesses counterparty exposure reports regularly and reviews reporting provided by FTIs Counterparty Credit Committee. As of 31 March 2017 TEMIT Plc is subject to counterparty risk arising from cash balances held and structured notes purchased to gain exposure to specific markets.

*No risk limits set by the AIFM in coordination with the Board of the Company have been exceeded or were likely to be exceeded in the period since 1 April 2016.*

### **Liquidity Risk**

*As at March 31, 2017, the Fund did not hold any assets subject to special arrangements arising from their illiquid nature.*

*There are no new arrangements for managing the liquidity/liquidity risk of the Company.*

TEMIT's closed end structure has relatively low liquidity requirements, reducing the impact of potential illiquidity in the portfolio. The risk function of the AIFM performs a regular assessment of the asset liquidity status using liquidity market data from different sources to ensure that the portfolio is sufficiently liquid in normal and exceptional market conditions.

Shares in the Company are not redeemable and shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the liquidity management policy ensures that the Company's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses: in practice, these expenses are typically covered by dividends received from the Company's investments;
- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets and
- the need to repay borrowings from the new credit facility used for investment purpose.

### **Leverage under AIFMD considerations**

The leverage definition under AIFMD is wider than the traditional gearing definition applied. In accordance with the EU Commission Delegated Regulation (EU) No 231/13 (the "AIFM Regulation") leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions (including all holdings like ordinary shares) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

As indicated in the Directors report, the Company did utilize its short term borrowing facility which as at 31 March 2017. As at 31 March 2017 the Investment Manager did not use financial derivative instruments for hedging or investment purposes. .

On 31 January 2017, the Company entered into a 3-year £150 million un-secured multicurrency revolving loan facility with The Bank of Nova Scotia, London Branch. Under the facility up to £150 million total may be borrowed, with drawings available in pounds sterling, US dollars and Chinese renminbi (CNH). The maximum amount of CNH which may be drawn down is the equivalent of GBP30 million. The purpose of the facility is to allow the investment manager to borrow within the limits set for investment purposes.

There is no guarantee that the amounts borrowed and invested will create positive returns in which case interest payments and loan repayments will reduce the value of the Company.

The rights of any lenders to the Company to receive payments of interest or repayments of principal will be senior to those of the Shareholders. Consequently, the Company might have to sell portfolio securities to meet interest or principal payments at a time when fundamental investment considerations would not favor such sales. Also, the terms of any borrowings may contain provisions that limit certain activities of the Fund including the ability to make distributions.

The maximum incremental level of leverage approved by the Board of the Company which the AIFM is entitled to employ on behalf of the Company for AIFMD monitoring and reporting purposes is 25% which, considering 100% of long assets held in the portfolio, relates to a ratio of 1.25 (or 125%) for both the gross method and the commitment method. In accordance with the AIFM agreement, any changes to these limits will be agreed in advance between the AIFM and the Company. The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association.

*There was no change to the level of leverage applied for AIFMD monitoring and reporting purposes since 1 April 2016.*

Throughout the year under review TEMIT acquired two certificate participatory notes (CRTPs) issued by HSBC Bank PLC and traded on the London Stock Exchange. These securities fall under the AIFMD leverage definition and need to be considered within the AIFMD leverage figure calculation. As of March 31<sup>st</sup> the amount borrowed by the fund and reportable under the AIFMD leverage figure calculation equated to 3.74% of the fund's portfolio.

*The actual level of leverage recorded under the requirements of AIFMD for 31 March 2017 is 1.05 (or 105.05%) using the "commitment" method and 1.03 (or 102.54%) using the "gross" method. Under the gross method cash and cash equivalents are excluded from calculation while amounts borrowed are included as required by the relevant regulation.*