

Date: 14 June 2024

## UTILICO EMERGING MARKETS TRUST PLC

### ANNUAL FINANCIAL REPORT FOR THE YEAR TO 31 MARCH 2024

Utilico Emerging Markets Trust plc ("UEM" or the "Company") today announces its audited financial results for the year to 31 March 2024.

#### Highlights of results

- Net asset value ("NAV") total return per share of 12.8%\* (2023: 2.1%\*)
- NAV per share of 274.01p, up 9.2%
- Gross assets of £522.9m\*, a decrease of 3.6%
- Annual compound NAV total return since inception of 9.5%\*
- Dividends per share totalled 8.60p for the year, an increase of 1.8%. Dividends were fully covered by earnings
- Revenue earnings per share ("EPS") decreased 6.1% to 8.83p
- Total revenue income of £23.1m, an 4.9% decrease

\*See Alternate Performance Measures on pages 97 and 98 of the Report and Accounts

The Report & Accounts for the year ended 31 March 2024 will be posted to shareholders in early July 2024. A copy will shortly be available to view and download from the Company's website at [www.uemtrust.co.uk](http://www.uemtrust.co.uk) and the National Storage Mechanism at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Please click on the following link to view the document: [http://www.rns-pdf.londonstockexchange.com/rns/5578S\\_1-2024-6-14.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5578S_1-2024-6-14.pdf)

**John Rennocks, Chairman of UEM** said: "UEM delivered a strong performance with a positive NAV total return of 12.8% for the year to 31 March 2024. This was once again significantly ahead of the MSCI Emerging Markets total return Index which was up 5.8% over the same period. Disappointingly, over the year, UEM's share price discount has continued to widen from 13.5% to 19.3% as at 31 March 2024. This remains well above the level that the Board would wish to see over the medium term.

"Having joined the board in 2015 and served for a period approaching nine years, I intend to retire from the board on 31 December 2024. I am pleased to report that Mark Bridgeman, who is currently the Company's Senior Independent Director, has agreed to replace me as Chairman."

**Charles Jillings, Investment Manager of UEM** added: "It is pleasing to see UEM report another NAV gain this year. UEM's NAV performance over one year, three, five and ten years and since inception are all ahead of the MSCI EM total return Index. UEM has achieved this together with a rising dividend payout, lower volatility and with a portfolio which is significantly different from the MSCI Index.

"This should be compelling to investors who want exposure to emerging markets, top performance and comparatively low levels of volatility."

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## Performance Summary

	31 March 2024	31 March 2023	% change 2024/23
NAV total return per share <sup>1</sup> (annual) (%)	12.8	2.1	n/a
Share price total return per share <sup>1</sup> (annual) (%)	5.8	0.8	n/a
Annual compound NAV total return <sup>1</sup> (since inception - 20 July 2005 <sup>2</sup> ) (%)	9.5	9.3	n/a
NAV per share (pence)	274.01	250.91	9.2
Share price (pence)	221.00	217.00	1.8
Discount <sup>1</sup> (%)	(19.3)	(13.5)	n/a
<b>Earnings per share (basic)</b>			
- Capital (pence)	20.48	(6.61)	409.8
- Revenue (pence)	8.83	9.40	(6.1)
Total (pence)	29.31	2.79	950.5
<b>Dividends per share</b>			
- 1st quarter (pence)	2.15	2.00	7.5
- 2nd quarter (pence)	2.15	2.15	0.0
- 3rd quarter (pence)	2.15	2.15	0.0
- 4th quarter (pence)	2.15 <sup>3</sup>	2.15	0.0
Total (pence)	8.60	8.45	1.8
Gross assets <sup>1</sup> (£m)	522.9	542.5	(3.6)
Equity holders' funds (£m)	522.9	507.4	3.1
Shares bought back (£m)	25.4	27.2	(6.6)
Net cash/(overdraft) (£m)	5.8	(1.0)	680.0
Bank loans (£m)	-	(35.1)	100.0
Net cash/(debt) (£m)	5.8	(36.1)	116.1
Net cash/(gearing) <sup>1</sup> (%)	1.1	(7.1)	n/a
Management and administration fees and other expenses (£m)	7.7	7.4	4.1
Ongoing charges figure <sup>1</sup> (%)	1.5	1.4	n/a

(1) See Alternative Performance Measures on pages 97 and 98 of the Report and Accounts

(2) All performance data relating to periods prior to 3 April 2018 are in respect of Utilico Emerging Markets Limited ("UEM Limited"), UEM's predecessor

(3) The fourth quarterly dividend has not been included as a liability in the accounts

## Chairman's Statement

UEM delivered a strong performance with a positive NAV total return of 12.8% for the year to 31 March 2024. This was once again significantly ahead of the MSCI Emerging Markets total return Index which was up 5.8% over the same period.

The year to 31 March 2024 has again been challenging. The eruption of the war in Israel and Gaza has been devastating for those involved and adds to the rising geopolitical frictions from the war in Ukraine through to the US-China tensions. Volatility in most markets remains elevated as uncertainty has dominated, with inflation and sharply higher central bank interest rates adding to the challenges on climate change and natural disasters.

UEM measures its performance on a total return basis over the long term and the Investment Managers are seeking long term outperformance. Despite difficult markets, over one, three, five and ten years and since inception, UEM has outperformed the MSCI EM Index and the long term annual compound NAV total return since inception to 31 March 2024 of 9.5% exceeded the MSCI EM total return Index of 7.5%.

### Global Economy

There remain numerous challenges faced by the markets, each of which is difficult in its own right. We have historically highlighted a number of these, and they largely remain unresolved as we continue to see a significant rise in nationalism, wealth inequality and global migration.

Last year we witnessed the sharply higher inflationary environment and the response by the central banks to increase interest rates to bring inflation under control. The year to 31 March 2024 has seen inflation fall and the surprising part has been the continued strength of the economies, especially in the United States, despite higher interest rates. This is evidenced by resilience in the labour market which, in most western countries, unemployment levels are at record lows. This is good for workers but ultimately negative for the inflation outlook, as wage demands continue to keep inflation elevated.

Equity markets have broadly moved to the upside as they anticipate central banks' rate cuts, although the higher for longer interest rate expectation has surprised many economic commentators.

### Emerging Markets

Most EM stock markets recovered strongly this year, reversing last year's weakness and reflecting global expectations of lower interest rates. Brazil's Bovespa Index was up 25.7%, the Indian Sensex up 24.9% and the Philippine PSEI Index up 6.2%. The two outliers were Hong Kong's Hang Seng Index which was down 18.9% and China's Shanghai Composite Index down 7.1%.

In comparison, all currencies in the portfolio were down against Sterling except for the Mexican Peso which was up 6.3% over the year to 31 March 2024. The high interest rates and improved outlook for Sterling has seen it recover strongly over the year, reversing last year's Sterling weakness. Of note was the weak Chilean Peso, down 21.1% against Sterling.

Most commodities have moved lower during the period under review as supply chains have adjusted, with wheat down by 19.1%, soybean down by 20.9% and copper down by 2.1% while Brent crude oil increased by 9.7%, driven by a number of factors from stronger economies and geopolitical pressures.

### Unlisted Investments (Level 3 Investments)

UEM has, over the years, invested in unlisted businesses at a modest level. As at 31 March 2023 the value of the unlisted portfolio had risen to 10.8% of the total portfolio, which was driven primarily by the revaluation of Petalite Limited ("Petalite"). In the year to 31 March 2024 the carrying value of Petalite was reduced by 70.0% reflecting the challenges in the electric vehicle ("EV") space which resulted in a number of listed EV companies' share prices marked down significantly. This reduction, together with some realisations, saw the unlisted investments reduce in value and as a percentage of the total portfolio. As at 31 March 2024 the unlisted investments represented 4.5% of the total portfolio.

### Revenue Earnings and Dividend

While UEM's revenue earnings per share ("EPS") decreased by 6.1% to 8.83p as at 31 March 2024, dividends remain covered by the EPS.

UEM has declared four quarterly dividends of 2.15p each, totalling 8.60p per share, a 1.8% increase over the previous year. The retained earnings revenue reserves increased by £0.5m in the year to £10.1m as at 31 March 2024, equal to 5.29p per share.

### Ongoing Charges

Ongoing charges were 1.5% for the year to 31 March 2024 (2023: 1.4%), reflecting increases in marketing expenditure, audit and custody fees.

### Share Buybacks

UEM's share price discount continued to widen over the year from 13.5% as at 31 March 2023 to 19.3% as at 31 March 2024. This remains well above the level that the Board would wish to see over the medium term. The Company has therefore continued buying back shares for cancellation, with 11.4m shares bought back during the year to 31 March 2024, at an average price of 223.36p and total cost of £25.4m. The share buybacks have contributed 1.0% to UEM's total returns during the year to 31 March 2024.

While the Board is keen to see the discount narrow, any share buyback remains an independent investment decision. Historically the Company has bought back shares if the discount widens in normal market conditions to over 10.0%. Since inception, UEM has bought back 86.2m ordinary shares totalling £164.2m. The buybacks now represent significantly more than the initial IPO capitalisation of UEM Limited when it came to market in July 2005.

### Board

As reported last year, Susan Hansen stepped down from the Board following the 2023 Annual General Meeting ("AGM") and the Board continues to comprise four Directors. Having joined the Board in 2015 and served for a period approaching nine years, I intend to retire from the Board on 31 December 2024. I am pleased to report that Mark Bridgeman, who is currently the Company's Senior Independent Director, has agreed to replace me as Chairman with Isabel Liu taking on the role of

Senior Independent Director. As part of the Company's succession planning, we engaged an independent search consultancy to find a suitably qualified Director to join the Board. After a thorough selection process, the Board is pleased to appoint Nadya Wells as a non executive Director with effect from 1 September 2024. Nadya has over 25 years' experience in emerging markets, having spent 13 years with the Capital Group as a portfolio manager and prior to that was a portfolio manager at Invesco Asset Management investing in Eastern Europe.

#### Outlook

The structural growth and global infrastructure megatrends in EM continue to drive growth within EM economies. Our investee companies continue to make good progress and we remain optimistic that UEM offers significant value to its shareholders.

**John Rennocks**  
Chairman

14 June 2024

## Investment Managers' Report

It is pleasing to see UEM report another NAV gain, with a NAV total return for the year to 31 March 2024 of 12.8%, building on last year's 2.1% uplift and the prior two year's 14.9% and 30.2% returns. This performance was again significantly ahead of the MSCI EM total return Index which increased 5.8% during the year.

UEM's NAV performance over one year, three, five and ten years and since inception are all ahead of the MSCI EM total return Index. UEM has achieved this together with a rising dividend payout; lower volatility (as at 31 March 2024, UEM's five year Beta was 0.81x); and with a portfolio which is significantly different from the MSCI Index. This should be compelling to investors who want exposure to emerging markets, top performance and comparatively low levels of volatility.

The world is still faced with a number of unresolved deep-seated issues. As noted in the Chairman's Statement these range from inflation to climate change. To this, we can add the tragic events in Israel and Gaza and the risk that the Middle East descends further into conflict. Given that we have highlighted a number of these issues before we will focus on two topics in particular to discuss in more detail. Finding consensus on these concerns has been and continues to be difficult.

#### Inflation and Interest Rates

As we have outlined before, inflation has risen sharply and remains elevated in the developed economies. One of the undoubted drivers of this has been tight labour markets which has led to wage inflation as buying power shifts to the wider workforce. Last year we noted that to address the rising inflationary outlook in the developed world, central banks had raised interest rates at a rapid pace. We expect we are at the point where interest rates plateau before declining. The "lower for longer" mantra has been replaced by "higher for longer".

Over the past year many commodities have seen prices fall as supply chains stabilise and efficiencies emerge, and this has led to much lower inflationary pressures. However, inflation remains above levels most central banks wish to see before cutting their rates.

We continue to be surprised by the tightness of labour markets. Unemployment levels remain at record lows in many countries. Our view is that the combination of workers suffering from long Covid and increased social care falling on families, together with early retirement has all contributed to the reduction in the available labour force. In addition, we are of the view that nearshoring (Global Trade megatrend), renewables (Energy Growth and Transition megatrend) and other global infrastructure megatrends are driving investment in the developed world and emerging markets at above average trends and inflation could remain elevated for some time. This certainly looks to be the case in the United States.

A stark point to note is most central banks reference their interest rates off the US Federal Reserve. Decreasing rates at a time when the US is holding rates is seen as high risk for smaller economies. It is not surprising therefore to see the Chilean Peso fall by 21.1% given its central bank cut rates from 11.25% to 7.25% in the year to 31 March 2024. Certainly, the emerging economies have more room to cut rates, but are looking for the US Federal Reserve to move first.

Despite elevated central bank rates, UEM's portfolio of investments exceeded our expectations. The strength of the businesses and management teams' discipline is admirable. The portfolio investee gearing remains modest at under 2.0x and we believe valuations continue to be attractive.

#### Emerging Markets Structural Growth Drivers and Megatrends

The ICM team travels a significant amount to EM countries and it is very evident to us that EM offers huge opportunities.

- i. Structural growth drivers remain fundamental: the key drivers of positive demographics, increase in urbanisation, rise of the middle class and strong GDP growth remain. Typically, EM have a young, growing, increasingly better educated working age population. This coupled with increasing rates of urbanisation, is resulting in the need for EM countries to invest in robust infrastructure such as energy, water and transportation to support this urban growth, providing UEM with numerous interesting and attractive opportunities. Further, the rise of the middle class that has growing discretionary income is driving an increase in consumption of goods and services but also demands for better quality of life assets such as road connectivity, air travel and faster data connectivity. EM are also witnessing on average stronger GDP growth than developed markets, with EM becoming more important within the global economy.
- ii. The emergence of global infrastructure megatrends: the structural growth drivers are being accelerated by global infrastructure megatrends that we are witnessing. Within "Energy Growth and Transition" significant energy investment is required to help support the strong GDP growth within EM with a focus on cleaner energy solution as countries drive to achieve lower or net zero emission targets. As EM countries are also witnessing higher urbanisation and a rise of the middle class, demand for better "Social Infra" is also required, providing UEM with a number of investment opportunities in the energy, transportation and communication sectors. Further, new and affordable digital technology is driving rapid digital adoption and is increasing demand for digital infrastructure

affordable digital technology is driving rapid digital adoption and is increasing demand for digital infrastructure. Digital Infra is becoming increasingly essential in all markets driving economic and social change. UEM is focused on infrastructure investments that are helping to deliver this digital transformation. As EM global GDP increases, EM importance in "Global Trade" increases. This, alongside supply chain disruptions, geopolitical tensions and increasing exports restrictions is changing the global trade environment providing again more compelling investment opportunities.

- iii. Government support: Nearly all governments in emerging markets have extensive infrastructure plans. From Brazil, to India, The Philippines, Indonesia and Mexico, the level of ambition is significant. Again providing investment opportunities.
- iv. Country attributes: Many emerging economies have additional individual strengths. For example, Mexico with its more affordable and hard working labour force, Brazil with its rich commodities base and Vietnam with its proximity to China. These economies are starting to reach a tipping point. Taking Brazil as an example, its trade surplus in 2022 was USD 62bn and in 2023 it rose to USD 99bn - no wonder investments in UEM's portfolio such as Santos Brasil Porticipacoes S.A. ("Santos") are outperforming. It is hard to convey just how high we see the levels of energy, drive and momentum underway in the emerging markets.

I would urge readers to follow us, on LinkedIn and on the UEM website, to see more about these trends we are witnessing and hear the opportunity which UEM offers.

### Portfolio

UEM's gross assets (less liabilities excluding loans) decreased to £522.9m as at 31 March 2024 from £542.5m as at 31 March 2023. This reflects portfolio valuation uplifts of £46.8m offset by net realisations to fund, in part, both the share buybacks of £25.4m and the reduction in bank debt of £35.1m in the year.

At the year end the top thirty holdings accounted for 70.9% of the total portfolio (31 March 2023: 67.7%). As with last year there have been nine new entrants into the top thirty over the year. UEM purchased £8.4m of shares in Manila Water Company, Inc. UEM nearly doubled its investment in Serena Energia S.A. (£5.4m), increased its investment in Cia de Saneamento Basico do Estado de Sao Paulo (£2.0m) which also benefitted from its share price rise of 67.8% and increased its investment in JSL S.A. (£4.3m) by 137.3%, its share price rise was also impressive at 88.8%. Holding Bursatil Regional S.A. was an investment from the merger of Bolsa de Valores de Colombia with the Peru and Chile stock exchanges. TTS (Transport Trade Services) S.A.'s ("TTS") share price rose 126.1% and UEM reduced its holding by 40.6%, receiving £5.3m. TAV Havalimanlari Holding A.S.'s investment increased by 49.7% (£1.8m) and its share price rose 140.7%. Finally, UEM's holding in Societe Nationale des Telecommunications du Senegal ("Sonatel") was unchanged, but its share price rose 13.1% and Ocean Wilsons Holdings Limited's share price rose 55.3% during the year to 31 March 2024.

UEM exited from Vamos Locacao de Caminhos Maquinas e Equipamentos S.A. ("Vamos"), receiving £5.9m and Grupo Aeroportuario del Pacifico, S.A.B de C.V., realising £7.5m. UEM also reduced its investment in Gujarat State Petronet Limited, Grupo Aeroportuario del Centro Norte, S.A.B de C.V. and Engie Energia Chile S.A., all of which fell outside the top thirty holdings giving a total realisation of £29.6m. China Datang Corporation Renewable Power Co., Limited ("China Datang") and Telcel Business Services Group both fell out of the top thirty due to relative performance.

On a total return contribution basis, the top performer in the portfolio was International Container Terminal Services, Inc. ("ICT") which contributed to 2.2% of UEM's performance as its share price over the period appreciated 49.2% and ICT continues to deliver strong financial and operational results. Power Grid Corporation of India Limited ("Power Grid") and Santos both added 1.7% to UEM's performance, Power Grid sustaining strong operational results in a buoyant Indian stock market, whilst Santos also benefitted from the positive Brazilian market momentum as well as improved market position of its main asset Tecon Santos within the Port of Santos. FPT Corporation ("FPT") contributed 1.6% due to strong growth in net profits of 21.2% and improved investor confidence in Vietnam. TTS contributed 1.5% witnessing an improvement in pricing with volumes helping to drive its share price up 126.1% over the period.

The bottom performers over the twelve months to 31 March 2024 were Vamos with a negative 0.7% contribution, affected by market concerns relating to its dealership business. China Gas Holdings Limited also contributed a minus 0.7% as its share price fell 36.2% over the year, reflecting weakness in the Chinese property market driving concerns around new gas connections and demand. China Datang also contributed a negative return of 0.9% as there have been concerns over China Datang's investment in new projects offering lower returns, with its share price falling 42.7% over the year. Conversant Solutions Pte Ltd and Petalite, two unlisted investments also reduced UEM's performance by 1.1% and 4.1% respectively.

Purchases in the portfolio decreased to £80.2m in the year ended 31 March 2024 (31 March 2023: £108.9m) and realisations increased to £155.5m (31 March 2023: £126.6m). This reflects both the reduction in debt by £35.1m as UEM repaid its loan facility and the decision to maintain a high level of buybacks to take advantage of the wide discount.

There have been some small sector shifts during the year to 31 March 2024 and more detail is set out on page 20. On a geographical basis, again there were modest changes and more detail is set out on page 9. It is worth noting that Brazil remains our top country exposure and grew to 25.8% from 20.9% in the prior year, mainly due to valuation uplifts. China remains the second biggest country exposure, but it reduced to 11.0% from 15.8% in the prior year on realisations and valuation weakness.

### Level 3 Investments

UEM ended the year with level 3 investments totalling £23.1m (31 March 2023: £58.7m), representing 4.5% of total investments (31 March 2023: 10.8%). UEM's level 3 investments reduced mainly as a result of the devaluation of Petalite by £20.0m and the £5.0m realisation from CGN Capital Partners Infra Fund 3 ("CGN").

Pleasingly we realised the majority of our holding in CGN, a private Chinese onshore wind developer and received 40% of the proceeds during the year to 31 March 2024. We are expecting to realise the balance of this investment and make a positive return. Further we exited from an Indian solar farm developer and operator at an internal rate of return of close to 28%.

UEM's investment in Petalite continues to make progress on its product development path and it is seeking to raise up to £20.0m in a Series A fund raising. However, the comparable listed entities in this space have had a difficult time and many have seen their valuations reduce by over 70%. UEM has reduced its investment valuation in line with this and as at 31 March 2024 its equity was valued at £8.6m. Since then, Petalite has continued its Series A fund raising efforts but market conditions have continued to be weak and UEM reduced Petalite's equity valuation to £3.5m as at 12 June 2024. Attention is drawn to note 26(d) of the accounts which provides more information on Petalite's valuation methodology.

### Bank Debt

UEM's net debt, being bank loans and net overdrafts, decreased from £36.1m as at 31 March 2023 to nil as at 31 March 2024. UEM repaid its bank debt in March 2024 when the loan facility matured. The Company is currently in discussions

regarding a replacement revolving facility and a further announcement will be made in due course.

#### Revenue Return

Revenue income decreased to £23.1m in the year to 31 March 2024, from £24.3m in the prior year, reflecting the fewer dividends received from investee companies due to the changes in the portfolio. The revenue yield on the closing portfolio was unchanged at 4.5% for both years.

Management fees and other expenses having been flat in 2023 rose to £3.4m in the year to 31 March 2024, (31 March 2023: £3.0m). While disappointing, this reflects the increases in marketing expenditure, audit and custody fees. Finance costs rose to £0.3m reflecting the higher interest rate environment (31 March 2023: £0.2m). Taxation rose to £2.0m during the year ended 31 March 2024 (31 March 2023: £1.6m) reflecting increased dividends received from countries with higher withholding tax rates.

As a result of the above, profit for the year decreased by 10.3% to £17.5m from £19.5m for 31 March 2023. EPS decreased by 6.1% to 8.83p compared to the prior year of 9.40p, reflecting the decrease in profit and the reduced average number of shares in issue following the buybacks. Dividends per share ("DPS") of 8.60p were fully covered by earnings.

Retained revenue reserves rose to £10.1m as at 31 March 2024, equal to 5.29p per share.

#### Capital Return

The portfolio gains were £46.8m on the capital account during the year to 31 March 2024 (31 March 2023: losses of £8.4m). The highest returns were from ICT with £9.5m, and Power Grid and FPT at £7.5m each. Gains on foreign exchange were £0.6m and the resultant total income on the capital account was £47.4m against prior year losses of £8.9m.

Management and administration fees were almost flat for the second year in a row at £4.4m (31 March 2023: £4.3m).

Finance costs increased to £1.3m from £0.7m as a result of higher interest rates. There was a taxation charge of £1.4m (31 March 2023: credit of £0.2m) which arose from Indian capital gains tax. The net effect of the above was a gain on capital return of £40.4m compared to a loss of £13.7m for 31 March 2023.

Charles Jillings

**ICM Investment Management Limited and ICM Limited**

14 June 2024

## Principal Risks And Risk Mitigation

During the year ended 31 March 2024, ICMIM was the Company's AIFM and had sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board.

As required by the Association of Investment Companies ("AIC") Code of Corporate Governance, the Board has undertaken a robust assessment of the principal risks facing the Company. It seeks to mitigate these risks through regular review by the Audit & Risk Committee of the Company's risk register which identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation.

During the year the Audit & Risk Committee also discussed and monitored a number of emerging risks that could potentially impact the Company, the principal ones being geopolitical risk and climate change risk. The Audit & Risk Committee has determined that they are not currently sufficiently material to be categorised as separate key risks and are considered within investment risk and market risk below.

The principal risks and uncertainties currently faced by the Company and the controls and actions to mitigate those risks, are described below. There have been no significant changes to the principal risks during the year.

**Investment Risk: The risk that the investment strategy does not achieve long-term positive total returns for the Company's shareholders. Insufficient consideration of ESG factors could lead to poor performance and/or a reduction in demand for the Company's shares.**

The Board monitors the performance of the Company and has established guidelines to ensure that the approved investment policy is pursued by the Investment Managers. These guidelines include sector and market exposure limits.

The investment process employed by the Investment Managers combines assessment of economic and market conditions in the relevant countries with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. In addition, ESG factors are also considered when selecting and retaining investments, and political risks associated with investing in EM are also assessed. The Investment Managers try to reduce risk by ensuring that the Company's portfolio is always appropriately diversified. Overall, the investment process aims to achieve absolute returns through an active fund management approach and the Board monitors the implementation and results of the investment process with the Investment Managers.

**Market Risk: The Company's assets consist mainly of listed securities and its principal risks are therefore market related and adverse market conditions could lead to a fall in NAV.**

The Company's portfolio is exposed to equity market risk and foreign currency risk. Adverse market conditions may result from factors such as economic conditions, political change, geo-political confrontations, climate change, natural disasters and health epidemics. At each Board meeting the Board reviews the diversification of the portfolio, asset allocation, stock selection, unquoted investments and levels of gearing and has set investment restrictions and guidelines which are monitored and reported on by the Investment Managers.

The Company's results are reported in Sterling, although the majority of its assets are priced in foreign currencies and therefore any rise or fall in Sterling will lead, respectively, to a fall or rise in the Company's reported NAV. Such factors are out of the control of the Board and the Investment Managers and may give rise to distortions in the reported returns to shareholders. It is difficult and expensive to hedge EM currencies.

**Key Staff Risk: Loss by the Investment Managers of key staff could affect investment returns.**

The quality of the investment management team is a crucial factor in delivering good performance. There are training and

development programmes in place for employees and the remuneration packages have been developed in order to retain key staff. Any material changes to the management team are considered by the Board at its next meeting; the Board discusses succession planning with the Investment Managers at regular intervals.

**Discount Risk: The Company's shares may trade at a discount to their NAV and a widening discount may undermine investor confidence in the Company.**

The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board generally buys back shares for cancellation in normal market conditions if they are trading at a discount in excess of 10% and the Investment Managers agree that it is a good investment decision.

**Operational Risk: Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy.**

The Company's main service providers are listed on page 96. The Audit & Risk Committee monitors the performance and controls (including business continuity procedures) of the service providers at regular intervals..

All listed and a number of unlisted investments are held in custody for the Company by JPMorgan Chase Bank N.A. - London Branch. JPMEI, the Company's depository services provider, also monitors the movement of cash and assets across the Company's accounts. The Audit & Risk Committee reviews the JP Morgan system and organisation controls reports, which are reported on by Independent Service Auditors, in relation to its administration, custodial and information technology services.

The Board reviews the overall performance of the Investment Managers and all the other service providers on a regular basis. The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.

**Gearing Risk: Whilst the use of borrowings should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling.**

Gearing levels may change from time to time in accordance with the Board and Investment Managers' assessment of risk and reward. As at 31 March 2024, since the Company's bank facility has been repaid, UEM had net cash. In the event of a new facility being put in place, ICMIM will continue to monitor compliance with the banking covenants when each drawdown is made and at the end of each month. The Board will review compliance with the banking covenants at each Board meeting.

**Regulatory Risk: Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the FCA's Listing Rules and the Companies Act 2006 could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains.**

The Investment Managers and the Company's professional advisers monitor developments in relevant laws and regulations and provide regular reports to the Board in respect of the Company's compliance.

## Directors' Statement Of Responsibilities

### in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with UK adopted International Accounting Standards and the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK adopted International Accounting Standards and the Companies Act 2006;
- assess the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are 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 Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, which is maintained by the Company's Investment Managers. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- 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 Company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

Approved by the Board on 14 June 2024 and signed on its behalf by:

**John Rennocks**

Chairman

## Statement Of Comprehensive Income

	for the year to 31 March 2024			for the year to 31 March 2023		
	Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
Gains/(losses) on investments	-	46,836	46,836	-	(8,389)	(8,389)
Foreign exchange gains/(losses)	-	610	610	-	(515)	(515)
Investment and other income	23,079	-	23,079	24,326	-	24,326
<b>Total income/(loss)</b>	<b>23,079</b>	<b>47,446</b>	<b>70,525</b>	<b>24,326</b>	<b>(8,904)</b>	<b>15,422</b>
Management and administration fees	(1,445)	(4,368)	(5,813)	(1,394)	(4,336)	(5,730)
Other expenses	(1,911)	-	(1,911)	(1,651)	-	(1,651)
<b>Profit/(loss) before finance costs and taxation</b>	<b>19,723</b>	<b>43,078</b>	<b>62,081</b>	<b>21,281</b>	<b>(13,240)</b>	<b>8,041</b>
Finance costs	(318)	(1,274)	(1,592)	(169)	(674)	(843)
<b>Profit/(loss) before taxation</b>	<b>19,405</b>	<b>41,804</b>	<b>61,209</b>	<b>21,112</b>	<b>(13,914)</b>	<b>7,198</b>
Taxation	(1,958)	(1,360)	(3,318)	(1,638)	212	(1,426)
<b>Profit/(loss) for the year</b>	<b>17,447</b>	<b>40,444</b>	<b>57,891</b>	<b>19,474</b>	<b>(13,702)</b>	<b>5,772</b>
<b>Earnings per share (basic) - pence</b>	<b>8.83</b>	<b>20.48</b>	<b>29.31</b>	<b>9.40</b>	<b>(6.61)</b>	<b>2.79</b>

All items in the above statement derive from continuing operations.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The Company does not have any income or expense that is not included in the profit for the year and therefore the profit for the year is also the total comprehensive income for the year, as defined in International Accounting Standard 1 (revised).

All income is attributable to the equity holders of the Company.

## STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2024

	Ordinary share capital £'000s	Merger reserve £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Retained earnings		Total £'000s
					Capital reserves £'000s	Revenue reserve £'000s	
Balance as at 31 March 2023	2,023	76,706	322	432,577	(13,841)	9,587	507,374
Shares purchased by the Company and cancelled	(114)	-	114	(25,397)	-	-	(25,397)
Profit for the year	-	-	-	-	40,444	17,447	57,891



Profit for the year	-	-	-	-	40,444	11,441	31,021
Dividends paid in the year	-	-	-	-	-	(16,935)	(16,935)
<b>Balance as at 31 March 2024</b>	<b>1,909</b>	<b>76,706</b>	<b>436</b>	<b>407,180</b>	<b>26,603</b>	<b>10,099</b>	<b>522,933</b>

for the year to 31 March 2023

	Ordinary share capital £'000s	Merger reserve £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Retained earnings		Total £'000s
					Capital reserves £'000s	Revenue reserve £'000s	
Balance as at 31 March 2022	2,148	76,706	197	459,736	(139)	7,268	545,916
Shares purchased by the Company and cancelled	(125)	-	125	(27,159)	-	-	(27,159)
(Loss)/profit for the year	-	-	-	-	(13,702)	19,474	5,772
Dividends paid in the year	-	-	-	-	-	(17,155)	(17,155)
<b>Balance as at 31 March 2023</b>	<b>2,023</b>	<b>76,706</b>	<b>322</b>	<b>432,577</b>	<b>(13,841)</b>	<b>9,587</b>	<b>507,374</b>

## STATEMENT OF FINANCIAL POSITION

as at 31 March	2024 £'000s	2023 £'000s
<b>Non-current assets</b>		
Investments	517,195	545,657
<b>Current assets</b>		
Other receivables	6,078	1,444
Cash and cash equivalents	5,751	456
	11,829	1,900
<b>Current liabilities</b>		
Other payables	(4,573)	(3,461)
Bank loans	-	(35,102)
	(4,573)	(38,563)
<b>Net current assets/(liabilities)</b>	<b>7,256</b>	<b>(36,663)</b>
<b>Total assets less current liabilities</b>	<b>524,451</b>	<b>508,994</b>
<b>Non-current liabilities</b>		
Provision for capital gains tax	(1,518)	(1,620)
<b>Net assets</b>	<b>522,933</b>	<b>507,374</b>
<b>Equity attributable to equity holders</b>		
Ordinary share capital	1,909	2,023
Merger reserve	76,706	76,706
Capital redemption reserve	436	322
Special reserve	407,180	432,577
Capital reserves	26,603	(13,841)
Revenue reserve	10,099	9,587
<b>Total attributable to equity holders</b>	<b>522,933</b>	<b>507,374</b>
<b>Net asset value per share</b>		
Basic - pence	274.01	250.91

## STATEMENT OF CASH FLOWS

Year to 31 March	2024 £'000s	2023 £'000s
<b>Operating activities</b>		
Profit before taxation	61,209	7,198
Deduct investment income - dividends	(21,100)	(22,671)
Deduct investment income - interest	(1,932)	(1,627)
Deduct bank interest received	(47)	(28)
Add back interest charged	1,592	843
Add back (gains)/losses on investments	(46,836)	8,389
Add back foreign exchange (gains)/losses	(610)	515
Increase in other receivables	(30)	(31)
Decrease in other payables	(683)	(88)
<b>Net cash outflow from operating activities before dividends and interest</b>	<b>(8,437)</b>	<b>(7,500)</b>
Interest paid	(1,813)	(646)
Dividends received	20,212	22,417

Investment income - interest	1,125	475
Bank interest received	47	28
Taxation paid	(3,431)	(1,691)
<b>Net cash inflow from operating activities</b>	<b>7,703</b>	<b>13,083</b>
<b>Investing activities</b>		
Purchases of investments	(75,544)	(106,821)
Sales of investments	151,442	125,649
<b>Net cash inflow from investing activities</b>	<b>75,898</b>	<b>18,828</b>
<b>Financing activities</b>		
Repurchase of shares for cancellation	(25,397)	(27,159)
Dividends paid	(16,935)	(17,155)
Drawdown of bank loans	19,821	35,385
Repayment of bank loans	(53,943)	(24,440)
<b>Net cash outflow from financing activities</b>	<b>(76,454)</b>	<b>(33,369)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>7,147</b>	<b>(1,458)</b>
Cash and cash equivalents at the start of the year	(1,026)	452
Effect of movement in foreign exchange	(370)	(20)
<b>Cash and cash equivalents as at the end of the year</b>	<b>5,751</b>	<b>(1,026)</b>
<b>Comprised of:</b>		
Cash	5,751	456
Bank overdraft	-	(1,482)
<b>Total</b>	<b>5,751</b>	<b>(1,026)</b>

## NOTES

The Directors have declared a fourth quarterly dividend in respect of the year ended 31 March 2024 of 2.15p per share payable on 28 June 2024 to shareholders on the register at close of business on 7 June 2024. The total cost of the dividend, which has not been accrued in the results for the year to 31 March 2024, is £4,072,000 based on 189,405,062 shares in issue at the record date.

This statement was approved by the Board on 14 June 2024. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Annual General Meeting Arrangements

The Annual General Meeting of the Company will be held at The Royal Society of Chemistry, Burlington House, Piccadilly, London W1J 0BA on Tuesday, 17 September 2024 at 10.30 a.m. and notice is set out at the end of the Report & Accounts.

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