

BARINGS

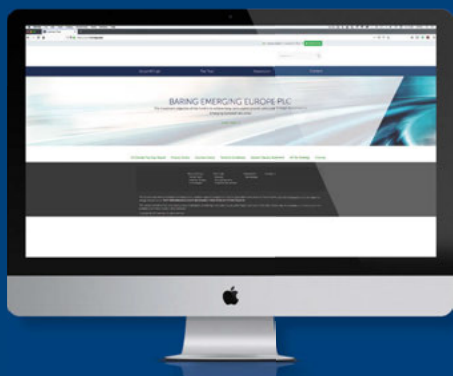


# Half Year Report

for the six months ended  
31 March 2020

Baring Emerging  
Europe PLC

For more information please visit our website:  
[www.beeplc.com](http://www.beeplc.com), which is accessed via  
the AIFM's website portal ([www.barings.com](http://www.barings.com)).



Alternatively, use your phone's  
QR app to go to our website.



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### COMPANY SUMMARY

Baring Emerging Europe PLC (the “Company”) was incorporated on 11 October 2002. The Company is an investment trust quoted on the London Stock Exchange under the ticker code BEE. As an investment trust, the Company has appointed an Alternative Investment Fund Manager, Baring Fund Managers Limited (the “AIFM”), to manage its investments.

The AIFM is authorised and regulated by the Financial Conduct Authority (the “FCA”).

The AIFM has delegated responsibility for the investment management of the portfolio to Baring Asset Management Limited (the “Fund Manager”).

### FEES

The AIFM receives an investment management fee of 0.8% of the Net Asset Value of the Company.

### INVESTMENT OBJECTIVE

The investment objective is to achieve long-term capital growth, principally through investment in securities listed or traded on an Emerging European securities market. The Company may also invest in securities of companies listed or traded elsewhere, whose revenues and/or profits are, or are expected to be, derived from activities in Emerging Europe.

### INVESTMENT POLICY

The Company’s full investment policy is set out on page 5. It contains information on the policies which the Company follows relating to asset allocation, risk diversification and gearing, and includes maximum exposures, where relevant.

### BENCHMARK\*

The Company’s comparator benchmark is the MSCI Emerging Europe 10/40 Index (the “Benchmark”).

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\* For definition, please see Glossary on page 22.

## Key Performance Indicators

for the six month period to 31 March 2020

KEY PERFORMANCE INDICATORS		
Net Asset Value Total Return*#	Dividend+	Average Discount %*##
<b>31 March 2020: (30.6%)</b> (31 March 2019: 4.60%)	<b>31 March 2020: 15p</b> (31 March 2019: 15p)	<b>31 March 2020: 10.4%</b> (31 March 2019: 12.6%)

## Highlights

for the half year ended 31 March 2020

FINANCIAL HIGHLIGHTS	31 March 2020	31 March 2019	30 September 2019†
Net asset value per ordinary share ("NAV")*	<b>632.98p</b>	824.02p	930.81p
Share price*	<b>510.00p</b>	743.00p	846.00p
Ongoing charges (based on average NAV)*#	<b>1.42%</b>	1.38%	1.49%
Share price movement*†	<b>(28.44%)</b>	(2.66%)	24.3%
Benchmark movement*†	<b>(17.58%)</b>	0.22%	15.9%
Discount to NAV per share at period end	<b>19.43%</b>	9.83%	9.11%

RETURN (per ordinary share)	31 March 2020			31 March 2019			30 September 2019†		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share**	<b>5.65p</b>	<b>(283.78)p</b>	<b>(278.13)p</b>	6.00p	10.47p	16.47p	35.09p	99.87p	134.96p

Revenue return (earnings) per ordinary share is based on the revenue return for the half year of £702,000 (31 March 2019: £778,000; and the full year to 30 September 2019: £4,482,000). Capital return per ordinary share is based on net capital loss for the half year of £35,255,000 (31 March 2019: net capital profit of £1,358,000; and full year to 30 September 2019: net capital profit of £12,754,000). These calculations are based on the weighted average of 12,423,276 (31 March 2019: 12,965,079; and 30 September 2019: 12,770,923) ordinary shares in issue during the period/year.

At 31 March 2020, there were 12,421,544 ordinary shares of 10 pence each in issue (31 March 2019: 12,793,436; and 30 September 2019: 12,439,297) which excludes 3,318,207 ordinary shares held in treasury (31 March 2019: 3,318,207; and 30 September 2019: 3,318,207 shares held in treasury). The shares held in treasury are treated as not being in issue when calculating the weighted average of ordinary shares in issue during the period/year. During the period, 17,753 ordinary shares were re-purchased and cancelled. Since the end of the period and 22 May 2020, the Company has re-purchased 12,560 ordinary shares which will be cancelled.

\* For definitions, please see Glossary on page 22.

# Alternative Performance Measures.

\* Net Asset Value Total Return and Average Discount as of 31 March 2020 relates to the prior six months and as of 31 March 2019 relates to the prior twelve months. The Dividend as of 31 March 2020 and 31 March 2019 relates to the prior six months.

† Movement relates to the preceding twelve months.

## Chairman's Statement

After reporting an all-time high NAV for the last financial year to 30 September, with a 17.8% NAV total return over the year, it is profoundly disappointing to have to report that our portfolio has been hit by the market's reaction in February and March to the COVID-19 outbreak. It has also been impacted by the falling oil price, owing to the consequent reduction in demand. It is small comfort to know that there are many others in the same boat when, at the time of writing, there is huge uncertainty as to how long these effects will last and what the long-term economic impact of the inevitable global recession will be. However, despite the changed circumstances, our Fund Manager remains focused on taking advantage of the sharp declines in prices to invest long term in efficiently managed companies with solid underlying funding and growth prospects. Against this challenging backdrop, it is unsurprising that all markets within our region posted substantial declines over the period.

Russia, our most important geography, fared better than most and outperformed relative to the rest of the region. We continue to remain overweight here and, long term, Russia has been the most significant contributor to performance. In the two months to 31 March 2020, the Rouble's 20% decline, linked to global events, explains almost the entire stock market decline. Since the end of our last financial year, we have been gradually reducing our exposure to oil and gas and have invested further in telecoms and in metals and mining. Furthermore, our investments in technology, a rapidly expanding structural growth opportunity, have outperformed as their business models enable them to thrive despite the current lockdown measures. This, in our view, exemplifies the opportunities found in financials, consumer and technology orientated businesses and away from traditionally export commodity orientated sectors of materials and energy.

Our allocation to Turkish equities remains significant, accounting for approximately 11% of the portfolio. The market has underperformed relative to its Emerging European peers over the period, owing in part to currency weakness and faltering economic demand as a result of the global slowdown. Despite this, the Fund Manager continues to find opportunities in attractively valued companies with exciting growth prospects, and crucially, limited currency risk.

In Central Europe, Polish equities underperformed at a headline level, but our stock selection meant the market was a significant contributor to relative returns over the period. Performance here was supported by our investments within the financial sector, notably insurance, which have fared better than banks owing to their less growth-sensitive business models. Elsewhere, the COVID-19 pandemic reversed the early stage recovery that Greek equity markets had been enjoying, and the country ended the period as the weakest performer across the region. Tourism and hospitality stocks were amongst the hardest hit, owing to lockdowns and widespread travel cancellations.

Across our investment universe we continue to recognise the ever increasing importance of environmental, social and governance standards ("ESG") and the need for companies' business models to be rooted in ethical and sustainable practices. ESG remains an integral part of your Company's investment process, influencing both the qualitative assessment of the investment case for any company, and quantitative evaluation of a company's unrecognised value. This is complemented by regular engagement with company management, seeking to improve ESG practices and disclosures to minority shareholders. As highlighted in the 2019 Annual Report, this investment process feature is reflected in the lower carbon profile of your Company in comparison with the Benchmark, despite what remains a carbon intensive region of the world.

### Performance

The NAV total loss over the six-month period was 30.6% compared to the Benchmark loss of 28.4%, primarily reflecting the impact of COVID-19, the collapse of the oil price and the impact of gearing in an abruptly falling market.

These global themes, combined with a number of country-specific events, have created a challenging, and to a large extent, unprecedented market backdrop over the prior six months. Alongside this market dynamic, there were a number of stocks that suffered in the face of varying market headwinds and, as a result, contributed to periods of portfolio volatility. One such example was Polish shoe retailer, CCC; the stock underperformed in response to some earnings weakness and a deteriorating business outlook caused by economic lockdowns. This, in our view, materially changed the investment thesis and we took the decision to sell out of the position earlier in the year. Elsewhere, National Bank of Greece also underperformed, driven by concerns related to softer economic activity and its impact on the company's asset quality. In both cases, the portfolio held an overweight position relative to the Benchmark, and this impacted relative performance.

Against our peers, over the six-month period covered by this statement and defined by the Morningstar Emerging Europe Universe, your Company ranked in the 4th quartile. However, owing to strong historical performance delivery, your Company continues to rank within the 1st quartile over five years.

## Chairman's Statement

(continued)

### Discount Management

Until the end of February our management of the discount through share buy backs and an attractive yield on the Company's shares, meant that the average discount since 1 October 2016 was less than the 12% target we had set ourselves to achieve by 30 September 2020. However, the sudden collapse in net asset values and increased volatility subsequent to 5 March was accompanied by a widening of the discount which was 19.4% at 31 March 2020 compared to 9.8% at 31 March 2019. We can only speculate as to what will happen to the discount for the rest of the financial year. But, at the time of writing, the discount was 12.38% as at the close of 22 May 2020 and the average discount since 1 October 2016 was 12.06%.

### Interim Dividend

In the first half of the financial year, the income account generated a return of 5.5 pence per Ordinary Share, compared with 6 pence for the comparative period last year. As usual, our projections for the second half of the year point to a higher level of dividend flow than in the first half, but substantially less than we were forecasting earlier in the year. We are proposing an interim dividend of 15 pence per share, which is partially uncovered by the income account, but maintains the level paid last year. However, it is too early to determine whether the Company will be able to maintain the final dividend at the same level as last year. The Board is mindful of the policy, adopted in December 2017, that dividend income should represent a greater part of total return for Shareholders. This policy may entail paying out up to 1% per annum of NAV from capital.

### Gearing

During the past year, the Company has had a borrowing facility of up to USD12 million, which had been partly utilised throughout the period. However, in response to the volatility caused by COVID-19 a decision was taken to repay the facility on its renewal date of 7 April 2020, thereby reducing gearing, net of cash, to nil. At 31 March 2020, there was net cash of £2.7 million. The Company will keep the gearing policy under review.

### Outlook

At the time of writing the only near-certainty seems to be that COVID-19 will be with us for a long time and that there will be a severe global recession. The main uncertainty for the Company lies in the relative impact of this economic shock on the countries covered by its investment mandate. However, there are some country specific reasons to be optimistic, not just because asset values are low. Russia has been preparing for a low oil price for a long time by building up currency reserves and, having lived with international sanctions for six years, its companies are reasonably well capitalised and not dependent on foreign debt, which may come to matter if global liquidity issues emerge. Other Emerging European economies also have relatively low corporate, household and sovereign debt levels. With the current spotlight on the fragility of Far Eastern supply chains many multinationals will be seeking to bring production closer to home, with Turkey and Central Europe likely beneficiaries. Finally, companies in Emerging Europe have made a substantial commitment to improving ESG standards over the last few years and, with increased scrutiny of business models by stakeholders, this effort should pay off.

### Frances Daley

Chairman

26 May 2020

## Investment Strategy

### Investment Trust

The Company is a public limited company with shares quoted on the London Stock Exchange. As an investor, you become a Shareholder in the Company.

Becoming a Shareholder of the Company provides access to the skill and expertise of the established fund management team's active management of the stock market investments, whilst providing a regular income.

### Investment Objective

The investment objective is to achieve long-term capital growth, principally through investment in securities listed or traded on an Emerging European securities market. The Company may also invest in securities of companies listed or traded elsewhere, whose revenues and/or profits are, or are expected to be, derived from activities in Emerging Europe.

### Investment Policy

The Board has agreed the following investment parameters with the AIFM in order to meet the investment objective. In normal market conditions, the portfolio of the Company should consist primarily of diversified securities listed or traded on Emerging European securities markets (including over the counter markets). Equity securities for this purpose include equity-related instruments such as preference shares, convertible securities, options, warrants and other rights to subscribe for or acquire, or relating to, equity securities. The Company may also invest in debt instruments such as bonds, bills, notes, certificates of deposit and other debt instruments issued by private and public sector entities in Emerging Europe.

The Company may from time to time invest in unquoted securities, but the amount of such investment is not expected to be material. The maximum exposure to unquoted securities should be restricted to 5% of the Company's gross assets.

For the purposes of this investment policy the Board has defined Emerging Europe as the successor countries of the former Soviet Union, Poland, Hungary, the Czech Republic, Slovakia, Turkey, the States of former Yugoslavia, Romania, Bulgaria, Albania and Greece. There is no restriction on the proportion that may be invested in each of these countries.

In addition, up to 15% of the gross assets may be invested in other countries\* provided that any investments made are in companies listed on a regulated stock exchange.

The Company may also invest in other funds in order to gain exposure to Emerging Europe where, for example, such funds afford one of the few practicable means of access to a particular market, or where such a fund represents an attractive investment in its own right. The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

The maximum value of any one investment should not exceed 12% of the Company's gross assets, save with the prior written consent of the Board. Where excess occurs due to market movement, the Fund Manager will notify the Board of this and will reduce the holding to below 12% within six months.

In addition to the above restriction on investment in a single company, the Board seeks to achieve a spread of risk in the portfolio through monitoring the country and sector weightings of the portfolio. There will be a minimum of 30 stocks in the portfolio.

*\*The Board currently intends that the "other countries" for the purposes of the Investment Policy will comprise Bahrain, Egypt, Jordan, Kenya, Kuwait, Lebanon, Mauritius, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Tunisia and UAE.*

## Investment Strategy

(continued)

### Borrowings and Gearing

The Company's Articles of Association ("Articles") provide that the Company may borrow an amount equal to its share capital and reserves. As at 31 March 2020, the only loan facility in place was a USD12 million loan facility with State Street Bank and Trust Company which can be used as a source of gearing. In order to provide a mechanism to gear the portfolio, the Board has authorised the AIFM to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The AIFM has discretion to operate with an overall exposure of the portfolio to the market of between 90% and 110%, to include the effect of any derivative positions.

Since the half-year end, following careful consideration, the Company agreed not to renew its revolving loan facility and this has been repaid in full.

### Discount Control Mechanism

In 2017, the Board decided that it was in the Company's interest that it takes certain steps to address the long-term viability of the Company's approach to discount management and approved the implementation of the following measures.

1. With effect from 1 June 2017, the introduction of a policy to offer Shareholders a tender of up to 25% of the shares (at the minimum discount at which no dilution will occur) in the event that:

- (i) the average daily Discount to NAV ("cum-income") exceeds 12% as calculated with reference to the trading of the shares over the four year period immediately preceding each relevant publication date of the Company's financial results (the "New Calculation Period"), provided that the first New Calculation Period will be the period between 1 October 2016 and 30 September 2020. (Discount to NAV, for discount management purposes, was previously calculated with reference to the 365 day period prior to the publication of the Company's results for the financial year); or
- (ii) the performance of the Company's portfolio on a total return basis does not exceed its Benchmark (being the MSCI Emerging Europe 10/40 Index) by an average of 100 basis points per annum over the New Calculation Period.

2. An increase in the Company's focus on the dividend yield by paying dividends from capital where considered appropriate by the Board. The Board anticipates paying out up to 1% per annum of NAV from capital.



## Report of the Fund Manager

for the half year ended 31 March 2020

### Investment Philosophy

- We are an active manager with aims to capitalise on opportunities that arise when securities are mispriced.
- We identify investment opportunities through our differentiated and innovative investment process, at the heart of which is fundamental, bottom-up analysis.
- We favour unrecognised growth companies with well-established or improving business franchises, balance sheets and management.
- Our research process integrates macro and dynamic ESG perspectives in company analysis and valuations.
- Our five year research horizon allows our deep pool of investment professionals to take a strategic view on a company's growth outlook.
- Our experienced team of portfolio managers builds high conviction portfolios, which are tailored to client specifications, and target superior risk-adjusted returns over the long term.

### Global Events

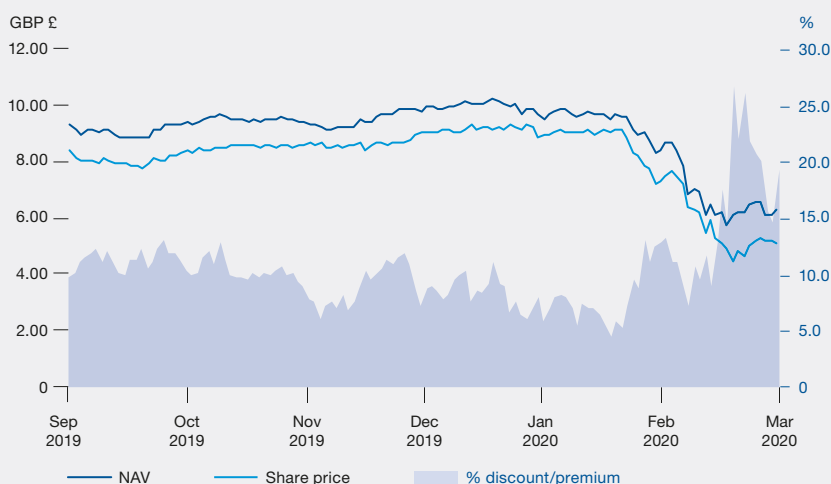
In what was initially viewed as a temporary demand and supply shock for China, the rapid spread of COVID-19 has instigated a global demand shock which will dramatically impact economic activity and corporate earnings universally. Policy-makers, in a coordinated response, have eased monetary and fiscal policy in order to offset the threat to economic activity posed by the spread of the virus.

As fundamental bottom-up investors, we will continue to focus on identifying opportunities to buy companies with sustainable business franchises at attractive valuations during this volatile period.

Some of the companies that have experienced sharp declines following the economic stress enjoy secular growth drivers such as technological shifts, disruptive business models, supportive demographics and expanding middle class consumption. These growth drivers continue to remain intact over the medium-to-long term. At this point in time, where indiscriminate fear grips markets, we continue to look for such opportunities for our shareholders.

In the near term, markets globally are likely to continue to remain volatile as investors monitor the progress of containment efforts in developed and emerging countries. This will be best measured by daily new infections and, once this number starts to decline, investors will feel more confident that the peak in the crisis has passed. Following a weak start to the year, we should see some positive economic and earnings momentum from the second half onwards, as mobility restrictions are eased and normal consumption patterns slowly resume. While the recovery will likely be inhibited by fears about new infection clusters, a combination of slowly improving data, receding risk and attractive valuations should create a more positive backdrop for equity markets as we move into the second half of this year and beyond.

### NAV per Share, Share Price, % Discount/Premium



## Report of the Fund Manager

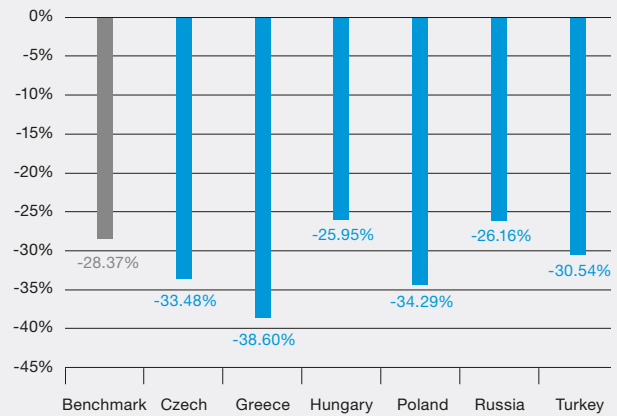
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**Performance Versus Benchmark**  
(rebased to 100) for the half year to 31 March 2020



Source: Barings, MSCI, Factset

**Benchmark and Country Returns (%)**  
for the half year to 31 March 2020



Source: Barings, MSCI, Factset

### Value Added

- Highly experienced and stable investment team.
- Strict adherence to our Growth at Reasonable Price (“GARP”) investment philosophy and commitment to fundamental, bottom-up research.
- We use a consistent approach globally to score the companies that we research, incorporating ESG factors in addition to macro considerations.
- Our investment style aims to provide long-term risk adjusted returns with performance driven by bottom-up fundamentals.

### Market Summary

After reaching all-time highs (net dividend re-invested) in January, your Company’s NAV was severely impacted by the steep and sharp demand destruction, a by-product of the lockdown measures employed to slow the advance of the global COVID-19 outbreak. Against this challenging backdrop, the Company delivered a NAV total return of -30.6% in Sterling terms (including dividends). This compares with a return of -28.4% against the Benchmark.

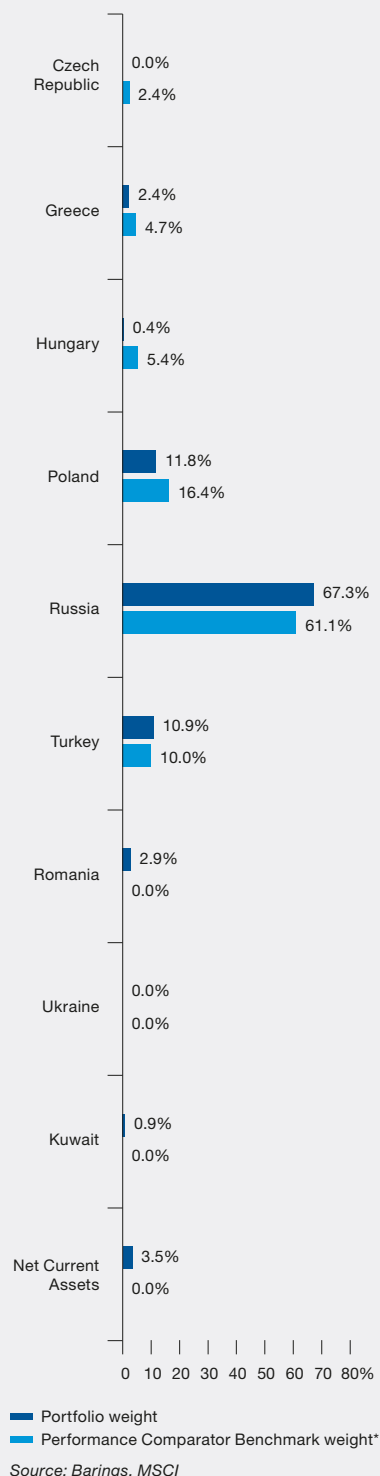
The acute shift in global market expectations, which began from a position of anticipated economic expansion in early 2020 to deep recession, is unparalleled in modern market history. Furthermore, the sharp spike in underlying volatility (the rate and severity of daily fluctuations) across all asset classes, is indicative of the high degree of uncertainty investors are faced with. The humanitarian and economic aspects of this pandemic present themselves together as one of the largest socio-political challenges of the coming years, if not this generation. Bold measures taken by the central banks of developed nations have secured financing for medium and large enterprises and flooded the market with much needed liquidity, while relevant governments complement these actions via expansionary budget policies not seen since World War II.

This picture appears more challenging, when observed through the prism of emerging markets, which are increasingly constrained by the availability and scope of monetary and fiscal manoeuvrability. This is due to the often scarce foreign exchange (“FX”) reserves (reserves act as a shock absorber against factors that can negatively affect a currency’s exchange rate) to protect from the severe devaluation pressures local currencies would experience in the event of ballooning budget deficits. Secondly, the effects of COVID-19 on global trade, specifically the export commodities of emerging markets, negatively impact major sources of export revenues. Within Emerging Europe, the oil market presents itself as a prime example. The severe reduction in global demand for oil products stemming from COVID-19, caused a drastic fall in energy prices. As energy exports contribute a substantially larger portion to emerging market economies, this development represents a significant external macroeconomic shock.

## Report of the Fund Manager

(continued)

### Geographical Distribution of Portfolio (%) at 31 March 2020



Amid this backdrop FX currency weakness contributed significantly to the overall (USD) performance of Emerging European stock markets over the last six months. The Russian Rouble's 20% decline over the period explains almost the entire stock market performance, while the Turkish Lira's 17% depreciation accounts for almost two-thirds of the Istanbul stock market's decline in USD. Central European markets' currency performance played a significantly smaller role, but those markets were still exposed to currency depreciation, best exemplified by the Hungarian Forint's 8% decline relative to the Euro over the period. Moreover, the almost lockstep performance of normally lowly correlated currencies such as the Turkish Lira and Russian Rouble, from our perspective, highlight the wide reaching implications of the COVID-19 crisis. Here, currencies which traditionally exhibit negative correlations have become positively correlated, with the Russian Rouble impacted by the severe fall in commodity prices, whilst the Turkish economy, traditionally a major beneficiary of lower energy prices, has been negatively impacted by the fall in global demand for its exports and its exposure to rising financing costs.

### Dividends

In our opinion, improvements in ESG policies have contributed significantly to the positive changes in dividend pay-outs, a significant contributor to performance across Emerging European equity markets over the last few years. Looking ahead, we believe that the onset of COVID-19 will serve to accelerate market participants' focus on ESG standards, with the most immediate impact being felt in the scrutiny of company transparency and treatment of minority shareholders. Improving governance standards have propelled dividend pay-out ratios in Russia to levels higher than ever before, indicative of efficiency gains and an alignment of minorities' interests with the strategic plans of majority shareholders. While the sudden drop in expectations for prospective dividends has brought a halt to the steady increase in dividend payments in Emerging European equity markets, we stress that this is a shared global phenomenon. Furthermore, we believe that preserving cash under such uncertain prospects is often a prudent decision, serving to solidify balance sheets in a liquidity constrained environment, and contributing strategically to a company's war chest at a time where economic weakness may present a variety of merger and acquisition opportunities. Overall, we expect dividends in 2019 and 2020 earnings to decline by approximately a third (in USD) compared to our original expectations at the beginning of the year, which is in line with similar reductions in other geographies.

### Gearing

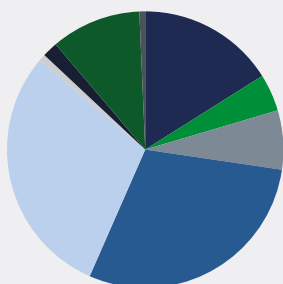
The use of gearing has been a highly successful strategy employed by the Company over recent years, serving to support both growth and income for our shareholders. However, following the significant market correction experienced in March this year, we recommended to the Board that the gearing facility be repaid by the due date of 7 April 2020. This change in approach follows a rise in volatility in your portfolio, which has been amplified by the use of gearing. From our observations, correlations between assets have significantly increased in reaction to market events, lowering our ability to diversify risk away and mitigate market impacts. While the environment continues to remain fluid and visibility on how market conditions will evolve is low, we believe ceasing the leverage at this juncture will support capital preservation of the Company. We continue to evaluate market conditions and, in line with the strategy of the Company, will look to utilise leverage to enhance returns where we recognise value to do so.

\*The performance comparator is the MSCI EM Europe 10/40 Index

## Report of the Fund Manager

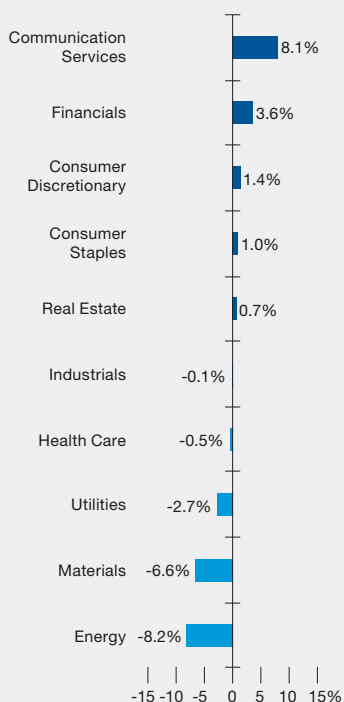
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Sector Distribution of Portfolio (%) at 31 March 2020



Communication Services	15.5%
Consumer Discretionary	4.2%
Consumer Staples	6.7%
Energy	28.2%
Financials	28.6%
Health Care	0.8%
Industrials	1.7%
Materials	10.2%
Real Estate	0.7%
Utilities	0.0%

### Relative to Benchmark



Source: Barings, MSCI

## Russia

### Economic and Political Background

Russia, as one of the largest global energy exporters, has long since prepared for a low oil price environment. Through a substantial build-up of its currency reserves and the implementation of a counter cyclical fiscal policy, Russia is able to support budget spending in a low oil price environment while saving extra revenues during periods of high energy prices. This prudent approach provides policy makers with crucial degrees of freedom when considering the measures to take in mitigating the economic and humanitarian impact, ranging from health care investments and household subsidies to credit guarantee schemes and infrastructure spending. In the political environment that led to the US and EU sanctions regime, which has been in place for almost six years, Russia has been excluded to a substantial degree from the international financial system for quite some time. This, in turn, led to a general reduction in outstanding debt levels in Russian corporates as companies were forced to reduce interaction with foreign creditors. This has consequently insulated the Russian corporate sector, from a financing perspective, to a tighter global liquidity environment.

### Performance

After a multi-year stand out performance versus global peers, Russian oil and gas companies have found it increasingly difficult to surprise markets positively given that market expectations have since increased meaningfully. This holds especially true for Russian energy companies' ability to further improve dividend pay-out ratios, the key differentiating factor relative to global peers over the last couple of years. The reduced scope of cash distribution and smaller scale inefficiency improvements has left Russian energy companies' future cash flows increasingly dependent on global oil price movements. Amid this environment your portfolio's exposure to conviction names Novatek and Gazprom fell significantly. However, the portfolio's significant underweight relative to the Benchmark contributed to relative returns.

Metals and mining stocks were also negatively impacted by the recessionary environment but against an increasingly prevalent stock specific backdrop. Firstly, the relatively large contingent of Russian gold miners within the mining sector introduced a key positive performance tailwind to select metals and mining stocks, as investors rushed to traditional safe havens. This served to benefit a number of companies in the Benchmark not held within the portfolio such as Polymetal, one of the largest producers of gold globally. Secondly, the specific situation on the global palladium market, where major supply interruptions counterbalanced weaker industrial demand, supported one of the biggest global palladium producers and Russia's largest metals and mining stock, Norilsk Nickel, leading to a positive total USD return over the period. Despite owning stock in this company, our weight relative to the Benchmark detracted from relative returns.

We are pleased to note that continued support of the expanding opportunities within technology, a beneficiary of the current lockdown measures, has benefitted the portfolio. Yandex, Russia's largest internet search engine, now diversifying into e-commerce, and Mail.Ru, which owns Russia's largest social media and gaming platform, have both been relative outperformers. This, in our view, is a reflection of the long-term structural growth opportunities that exist for both companies as consumers and businesses embrace new technologies and behaviour continues to evolve.

\*The performance comparator is the MSCI EM Europe 10/40 Index

\*Redistribution of weights namely due to GICS classification changes which came into effect in Q4 2018

## Report of the Fund Manager

(continued)

### Investment Strategy

Throughout the period we adjusted our exposure to the energy sector, reducing our position in Russia's largest Liquefied Natural Gas exporter Novatek. We believe the company is exposed to growing risks stemming from its long term offtake agreements, (an offtake agreement is an arrangement between a producer and a buyer to purchase or sell portions of the producer's upcoming goods), which are increasingly under threat considering the current global gas glut, while the rich valuation of the company provided an incentive to reduce our position. We initiated a position in MTS, one of Russia's leading telco providers as we believe the company is well placed to capitalise on the increasing demand for digitalisation and data consumption. Furthermore, the company's debt is predominantly denominated in Roubles and the investment profile strikes us as relatively flexible, allowing the company to preserve cash when needed. In the metals and mining sector we added Norilsk Nickel, as the company stands to benefit from the supportive supply/demand dynamics in palladium, the metal responsible for more than one third of its operational profits, while the company's insistence on its high dividend payments provide support to your Company's income profile.

### Turkey

#### Economic and Political Background

The Turkish corporate sector's high dependence on international FX financing flow poses the potential for liquidity risks at the most inopportune of moments, while the Central Bank's depleted FX reserves have left little room to reposition. However, we believe that liquidity will not evaporate entirely, supported by international financing arrangements with European banks' and FX financing lines with Turkish banking counterparts as a means enabling upcoming FX debt roll-overs. Additionally, the introduction of a facility by the US Federal Reserve, which enables central banks to enter into repurchase agreements with the US central bank to release dollar liquidity, has eased constraints, with Turkey a key beneficiary.

While Turkey's population is a quarter larger than Italy's, (one of the most affected countries), its 65+ years age cohort (the most affected by COVID-19) represent only 7.5% of the total population, half the percentage of Italy's. This leads us to believe that Turkey's young demographics place it as probably one of the most well placed countries globally in terms of average age and this, in combination with a prudent testing regime will, in our opinion, lead to a relatively contained humanitarian toll.

#### Performance

Food and beverage retailers have benefitted from resilient product demand in the face of macroeconomic headwinds which has served to benefit our holding in food manufacturer Ulker, whilst our underweight in the supermarket group BIM detracted. Not surprisingly, the utility-like, stable business models found in the telecom sector were much sought after by investors, leading to outperformance. Here our position in Turk Telekom was a strong beneficiary to relative returns, supported by its dominant market position and robust business model, whereas a lack of exposure to Turkcell at the start of the quarter detracted. Elsewhere, our positions in Turkish banks Vakifbank and Akbank were also notable contributors to relative return.

### Investment Strategy

In Turkey, we seek opportunities in attractively valued, solid growth companies with limited debt and minimal exposure to currency risk. We believe that the country's leading telco operator Turkcell and its largest hard discount retailer BIM fall into this category. Both companies were added to the portfolio, while we reduced our position in the refiner Tupras which was exposed to the ongoing weakness in demand.

### Central Europe

#### Economic and Political Background

The small, open Central European economies of Poland, Hungary, Romania and Czechia have been successfully growing their share in global exports markets over the last decade, a rare phenomenon for economies outside Asia. Faced with the substantial decline in global trade triggered by COVID-19, these economies will undoubtedly face challenges in the near term as manufacturing across Europe wanes. However, we believe that over the medium term the relative attractiveness of Emerging European manufacturing hubs will grow, considering the increasing focus in securing procurement and diversification of supply chains to production close to end consumers (the EU consumer

## Report of the Fund Manager

(continued)

and European high end manufacturing). Additionally, as members of the European Union, these economies stand out in an Emerging Market context, given the European Central Bank's commitment to provide unlimited Euro liquidity wherever needed across the EU.

Not surprisingly, Greece's nascent economic recovery has been interrupted by the COVID-19 outbreak. Given the dominant contribution of the tourism sector to the economy, the country's economic prospects remain dependent on an eventual lifting of travel restrictions and global leisure travel patterns. On a positive note, we believe the newly elected government under Prime Minister Mitsotakis has built a reputation for an investor friendly, can-do approach with regard to economic policy and structural reforms. Owing to a rapid and disciplined response to the outbreak, Greece reports one of the most successful anti-COVID strategies, with a low death toll and a functioning health care system, in our view a huge success, and serving to highlight the country's reputation as a safe tourism destination.

### Poland

#### Performance

Our stock selection in Poland was a strong contributor to relative returns over the period. Game developer CD Projekt was a significant contributor, with the company standing to benefit from the successful adoption of its Witcher games franchise for a Netflix series, increasing the potential global audience for future releases in the title. Further, we believe the company's upcoming product pipeline, centred around the release of the long awaited, and critically lauded, "Cyberpunk 2077" will further engage with its loyal global gaming audience and pave the way to establishing another highly successful gaming franchise. In the broader financial sector, insurance companies have fared substantially better than banks, owing to their less growth-sensitive business models. Here, our position in insurance group PZU outperformed, helped by earnings that beat expectations. In contrast, shoe retailer CCC detracted from relative performance as economic lockdowns impacted their short term business outlook. Elsewhere, a lack of exposure to Polski Koncern Naftowy ("PKN"), the Polish state-owned oil refiner, benefitted from relative returns as the company remains exposed to the ongoing weakness in demand as fuel usage is hit by the lockdown.

#### Investment Strategy

In Poland we increased our exposure to the computer games developer CD Project, a holding in which we have continued conviction as we see value in its expanding franchise of titles. Within financials, we concentrated our exposure in PKO BP, the country's largest bank, and PZU, the dominant insurer. We believe that capitalisation and scale will benefit these companies compared to the smaller players, as the industry is faced with an environment of falling investment returns and rising regulatory burdens. We sold our position in the country's largest footwear retailer, CCC. While the company boasts a footprint of more than 1,200 stores (of which 470 are located in Poland) and a significant online presence (contributing 24% to total sales), its crucial business restructuring plans has been derailed by the advent of COVID-19. High legacy costs from an unsuccessful attempt to expand into the German market and rising marketing expenses have left the company financially exposed at a time when the lockdown measures saw its sales drop exponentially.

### Other Central Europe

#### Performance

Amongst the Greek banks, NBG and Alpha Bank both saw significant declines in response to asset quality concerns. Here the business cycle has taken a large toll on the banking sector, where fears of rising credit defaults were in many cases amplified by falling expectations for interest income as the yield outlook declines. However, we note that elsewhere across Central Europe, lenders in Hungary (OTP), Czechia (Komerční) and Romania (Banca Transilvania) were more resilient and contributed to returns compared to the Benchmark.

#### Investment Strategy

Here we reduced our exposure to the financial sector and sold Hungarian banking champion OTP, a long-standing outperformer, as we became uncomfortable with the stock's premium valuation. We also reduced our exposure to the Romanian and Greek markets by selling part of our positions in Alpha Bank and Banca Transilvania, representing our preference for the resilience of the Polish financial sector.

## Report of the Fund Manager

(continued)

### Outlook

The outbreak of COVID-19 brought an end to one of the longest periods of global economic expansion in history. While the duration and severity of the upcoming recession is difficult to gauge and the socio-economic consequences remain very much in a state of flux, we are of the opinion that the sharp declines witnessed on Emerging European Equity markets provide attractive investment backdrop for long term investors. Clearly, individual economic sectors will be affected to varying degrees but, as an overarching principle, we are of the opinion that COVID-19 will amplify many existing secular economic trends and reward prudently-run companies with market share gains while rooting out weaker players. In this vein, corporate earnings will once again become the decisive determinants of share prices and dividend recovery across the Emerging European universe. By harnessing our investment approach, paying close attention to key areas such as balance sheet strength and the viability of business models, we believe that we will be able to effectively capture the companies that are able to adapt to the recessionary environment to not only gain market share, but capitalise on the current crisis to exit in a position stronger than before. Furthermore, we expect that companies' commitment to improving ESG standards remains a decisive value driver in an environment where investors will scrutinise business models more closely than ever. We note that many companies now communicate initiatives in a clear and transparent manner, setting goals which we believe increase the sustainability of their business models, a development we welcome.

Ultimately, we believe that Emerging European markets will succeed in managing the enormous humanitarian challenge while preserving their vast economic potential for four reasons. Firstly, from a macroeconomic perspective, overall debt levels across Emerging Europe remain low on a corporate, household and sovereign level, especially when compared to developed market peers, allowing crucial breathing space in a difficult economic environment. Secondly, the dependence on international funding flows is low and, in the case of Russia, approaching non-existent. It is important to note that Turkey's external foreign exchange funding needs remain an outlier but, manageable sovereign debt levels and a flexible, highly competitive corporate sector make a strong case for the sustainability of Turkey's business model to the international investment community. Thirdly, the relative valuation of Emerging European Markets versus Developed European securities continues to appear very attractive on both a price-to-book and price-to-earnings basis. This suggests investor expectations for the asset class remain overly depressed, despite the more favourable medium term growth outlook. Fourthly, we believe that many multinational companies will seek to diversify global supply chains, bringing production hubs closer to home – a trend that stands to benefit the new EU member states and Turkey.

**Matthias Siller, Maria Szczesna and Adnan El-Araby**

**Baring Fund Managers Limited**

26 May 2020

## Investment Portfolio – Top Twenty Holdings

as at 31 March 2020

	Holding	Primary country of listing or investment	Market value £000	% of investment portfolio
1	Gazprom	Russia	7,355	9.36
2	Sberbank	Russia	6,767	8.61
3	Lukoil Holdings	Russia	6,282	7.99
4	Tatneft	Russia	5,678	7.22
5	Norilsk Nickel	Russia	4,457	5.67
6	X5 Retail Group	Russia	3,475	4.42
7	PZU	Poland	3,433	4.37
8	PKO Bank Polski	Poland	2,932	3.73
9	Novatek	Russia	2,881	3.67
10	Mobile Telesystems	Russia	2,647	3.37
11	Polyus	Russia	2,589	3.29
12	CD Projekt	Poland	2,525	3.21
13	Mail.Ru	Russia	2,421	3.08
14	VakifBank	Turkey	2,171	2.76
15	Yandex	Russia	2,041	2.60
16	Turk Telekomunikasyon	Turkey	1,455	1.85
17	Detsky Mir	Russia	1,277	1.62
18	BCA Transilvania	Romania	1,267	1.61
19	Mosco Exchange	Russia	1,227	1.56
20	National Bank of Greece	Greece	1,169	1.49
	<b>Other investments</b>		<b>11,848</b>	<b>15.07</b>
	<b>Total investments</b>		<b>75,897</b>	<b>96.55</b>
	<b>Net current assets</b>		<b>2,709</b>	<b>3.45</b>
	<b>Net assets</b>		<b>78,606</b>	<b>100.00</b>



## Income Statement

(incorporating the Revenue Account) for the six months to 31 March 2020

	Notes	(Unaudited)			(Unaudited)			(Audited)		
		Six months to 31 March 2020			Six months to 31 March 2019			Year ended 30 September 2019		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Gains/(losses) on investments held at fair value through profit or loss		-	(34,716)	(34,716)	-	1,842	1,842	-	14,126	14,126
Foreign exchange losses		-	(68)	(68)	-	(14)	(14)	-	(371)	(371)
Income		1,324	-	1,324	1,383	-	1,383	6,315	-	6,315
Investment management fee		(85)	(341)	(426)	(80)	(321)	(401)	(173)	(693)	(866)
Other expenses		(370)	-	(370)	(321)	-	(321)	(765)	-	(765)
<b>Return on ordinary activities</b>		<b>869</b>	<b>(35,125)</b>	<b>(34,256)</b>	<b>982</b>	<b>1,507</b>	<b>2,489</b>	<b>5,377</b>	<b>13,062</b>	<b>18,439</b>
Finance costs		(32)	(130)	(162)	(37)	(149)	(186)	(77)	(308)	(385)
<b>Return on ordinary activities before taxation</b>		<b>837</b>	<b>(35,255)</b>	<b>(34,418)</b>	<b>945</b>	<b>1,358</b>	<b>2,303</b>	<b>5,300</b>	<b>12,754</b>	<b>18,054</b>
Taxation	5	(135)	-	(135)	(167)	-	(167)	(818)	-	(818)
<b>Return for the year</b>		<b>702</b>	<b>(35,255)</b>	<b>(34,553)</b>	<b>778</b>	<b>1,358</b>	<b>2,136</b>	<b>4,482</b>	<b>12,754</b>	<b>17,236</b>
Return per ordinary share	6	<b>5.65p</b>	<b>(283.78)p</b>	<b>(278.13)p</b>	6.00p	10.47p	16.47p	35.09p	99.87p	134.96p

The column labelled "Total" represents the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The supplementary revenue and capital columns are both prepared under the guidance published by the Association of Investment Companies.

There is no other comprehensive income and therefore the return for the year is also the total comprehensive income for the year.

## Statement of Financial Position

as at 31 March 2020

	(Unaudited) 31 March 2020 £000	(Unaudited) 31 March 2019 £000	(Audited) 30 September 2019 £000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	75,897	111,227	122,091
<b>Current assets</b>			
Debtors	137	306	217
Cash and cash equivalents	12,741	3,413	3,532
	<b>12,878</b>	3,719	3,749
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	<b>(10,169)</b>	(9,525)	(10,054)
<b>Net current assets/(liabilities)</b>	<b>2,709</b>	(5,806)	(6,305)
<b>Net assets</b>	<b>78,606</b>	105,421	115,786
<b>Capital and reserves</b>			
Called-up share capital	1,574	1,612	1,576
Share premium account	1,411	1,411	1,411
Redemption reserve	3,214	3,176	3,212
Capital reserve	69,760	96,599	105,158
Revenue reserve	2,647	2,623	4,429
<b>Total Shareholders' funds</b>	<b>78,606</b>	105,421	115,786
<b>Net asset value per share</b>	<b>632.82p</b>	824.02p	930.81p

## Statement of Changes in Equity

	Called-up share capital £000	Share premium account £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
<b>(Unaudited)</b>						
<b>For the six months ended 31 March 2020</b>						
At 30 September 2019	1,576	1,411	3,212	105,158	4,429	115,786
Return for the six months to 31 March 2020	-	-	-	(35,255)	702	(34,553)
Buyback of own shares for cancellation	-	-	-	(143)	-	(143)
Transfer to capital redemption reserve	(2)	-	2	-	-	-
Dividends paid	-	-	-	-	(2,484)	(2,484)
<b>Balance at 31 March 2020</b>	<b>1,574</b>	<b>1,411</b>	<b>3,214</b>	<b>69,760</b>	<b>2,647</b>	<b>78,606</b>
<b>(Unaudited)</b>						
<b>For the six months ended 31 March 2019</b>						
At 30 September 2018	1,646	1,411	3,142	97,697	4,437	108,333
Return for the six months to 31 March 2019	-	-	-	1,358	778	2,136
Buyback of own shares for cancellation	-	-	-	(2,456)	-	(2,456)
Transfer to capital redemption reserve	(34)	-	34	-	-	-
Dividends paid	-	-	-	-	(2,592)	(2,592)
<b>Balance at 31 March 2019</b>	<b>1,612</b>	<b>1,411</b>	<b>3,176</b>	<b>96,599</b>	<b>2,623</b>	<b>105,421</b>
<b>(Audited)</b>						
<b>For the year ended 30 September 2019</b>						
Beginning of year	1,646	1,411	3,142	97,697	4,437	108,333
Return for the year	-	-	-	12,754	4,482	17,236
Buyback of own shares for cancellation	-	-	-	(5,293)	-	(5,293)
Transfer to capital redemption reserve	(70)	-	70	-	-	-
Dividends paid	-	-	-	-	(4,490)	(4,490)
<b>Balance at 30 September 2019</b>	<b>1,576</b>	<b>1,411</b>	<b>3,212</b>	<b>105,158</b>	<b>4,429</b>	<b>115,786</b>

Distributable reserves comprise: the revenue reserve and capital reserves attributable to realised profits.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve.

## Notes to the Accounts

for the half year ended 31 March 2020

### 1. Accounting policies

A summary of the principal policies, all of which have been applied consistently throughout the half year ended 31 March 2020, is set out below:

#### Basis of accounting

The financial statements have been prepared in accordance with the applicable UK Accounting Standards, being FRS 102 – The Financial Reporting Standard – and with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (issued in November 2014 and updated in October 2019).

As an investment trust, the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment trust meets both the following conditions: substantially all investments are highly liquid and are carried at market value; and where a statement of changes in assets as defined in FRS 102 section 7.

The Financial Statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Directors consider that the Company has adequate resources to enable it to continue in operational existence for the foreseeable future. The assets of the Company consist mainly of securities which are readily realisable. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Company’s financial statements.

The accounting policies are set out in the Company’s Annual Report and Financial Statements for the year ended 30 September 2019 and remain unchanged.

### 2. Dividend

An interim dividend of 15 pence per share was declared on 26 May 2020 and will be paid on 26 June 2020 to members on the register at the close of business on 5 June 2020. The shares will be marked ex-dividend on 4 June 2020.

The final dividend in respect of the year ending 30 September 2020 will be considered by the Board post the year end. An appropriate announcement will be made to shareholders.

### 3. Comparative information

The figures and financial information for the year ended 30 September 2019 are an extract from the latest published accounts and do not constitute statutory accounts. Full accounts for that period have been delivered to the Registrar of Companies and included the report of the auditors, which was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The Half Year Reports for the six months ended 31 March 2020 and for the six months ended 31 March 2019 have been neither audited nor reviewed by the auditors.

### 4. Shares in issue

As at 31 March 2020, there were 12,421,544 ordinary shares of 10p each in issue (31 March 2019: 12,793,436; and 30 September 2019: 12,439,297) which excludes 3,318,207 ordinary shares held in treasury (31 March 2019: 3,318,207; and 30 September 2019: 3,318,207) and treated as not being in issue when calculating the NAV per share. Shares held in treasury are non-voting and not eligible for receipt of dividends. During the period, 17,753 ordinary shares were bought back to be cancelled at a cost of £143,000. A further 12,560 ordinary shares were bought back to be cancelled during the period from 1 April 2020 to 22 May 2020 at a cost of £79,300.

## Notes to the Accounts

(continued)

### 5. Taxation

The taxation charge of £135,000 (31 March 2019: £167,000; and 30 September 2019: £818,000) relates to overseas taxation.

### 6. Return per ordinary share

The total return per ordinary share is based on the return on ordinary activities after taxation of £(34,553,000) (six months ended 31 March 2019: £2,136,000; and year ended 30 September 2019: £17,236,000) and on a weighted average of 12,423,276 ordinary shares in issue during the six months ended 31 March 2020 (six months ended 31 March 2019: weighted average of 12,965,079 ordinary shares in issue; and year ended 30 September 2019: weighted average of 12,770,923 ordinary shares in issue).

### 7. Post Balance Sheet events

Since 31 March 2020, the financial markets have continued to be disrupted by the COVID-19 pandemic causing volatility in the share price of the Company and in the Company's investments, which is expected to continue. Since the year end, the Company's gearing has been reduced to zero after the repayment of the entire loan facility on 7 April 2020.

## Interim Management Report

### Going concern

The Directors believe that, having considered the Company's investment objective, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure projections, the Company has adequate resources and an appropriate financial structure in place to continue in operational existence for the foreseeable future. The assets of the Company consist mainly of securities which are readily realisable. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

In making this assessment, the Directors have considered the likely impact of the COVID-19 pandemic. Although the long term economic implications are hard to predict, the Board are cognisant of the fact that the Company currently has no gearing and has been reassured by the Company's third party service providers, whose contingency plans to date, have operated and are expected to continue to operate effectively, during the pandemic. The Directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

### Principal risks and uncertainties

Equity markets experienced substantial falls during the period associated with uncertainties linked to the COVID-19 pandemic and continue to be volatile. The Directors have considered the impact of the continued uncertainty on the Company's financial position and, based on the information available to them at the date of this Report, have concluded that no adjustments are required to the accounts as at 31 March 2020.

A review of the half year including reference, in addition to the COVID-19 risk mentioned above, to the risks and uncertainties that existed during the period and the outlook for the Company can be found in the Chairman's Statement and in the Fund Manager's Report. The principal risks faced by the Company fall into the following broad categories: Investment and Strategy, Market Conditions, Operational and Financial. Information on each of these areas is given in the Strategic Report within the Annual Report and Accounts for the year ended 30 September 2019. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

The Board is aware that the UK's exit from the EU could introduce an element of political and economic uncertainty for the sector in which the Company operates and developments continue to be monitored by the Board.

### Related party transactions

The Fund Manager is regarded as a related party and details of the management fee payable during the six months ended 31 March 2020 is shown in the Income Statement on page 15. There have been no other related party transactions during the six months ended 31 March 2020. The Directors' current level of remuneration is £27,000 per annum for each Director with the Chairman of the Audit Committee receiving an additional fee of £3,000 per annum. The Chairman's fee is £36,000 per annum.

## Directors' Responsibility Statement

in respect of the Half Year Report for the six months ended 31 March 2020

### Responsibility Statement

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Interim Management Report on page 20.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK Accounting Standards; Financial Reporting Standard 102, and gives a true and fair view of the assets, liabilities and financial position of the Company; and the interim management report (which includes the Chairman's Statement) as required by the FCA's Disclosure Guidance and Transparency Rule 4.2.4R; and
- this Half Year Report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions that could do so.

This Half Year Report was approved by the Board of Directors on 26 May 2020 and the above responsibility statement was signed on its behalf by Frances Daley, Chairman.

## Glossary of Terms

### **Alternative Performance Measures (“APM”) are denoted by an (#) below:**

*An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined within the Company’s financial reporting framework.*

### **Annual Management Charge (“AMC”)**

A management fee is a charge levied by a fund manager for managing an investment fund intending to compensate the manager for their time and expertise in selecting stocks and managing the portfolio.

### **Net Asset Value (“NAV”) Total Return#**

A measure showing how the net asset value (“NAV”) per share has performed, including both capital returns and dividends paid to shareholders.

### **Average Discount#**

The average that the Ordinary share price is lower than the net asset value per Ordinary share over a predefined period. The discount is normally expressed as a percentage of the net asset value per share. NAV minus share price divided by NAV.

### **Average Discount (Annual)#**

This is the average discount over one year.

### **Benchmark**

A comparative benchmark is used to measure the performance of an investment fund for the purpose of tracking relative return and defining the asset allocation or a portfolio. The Benchmark movement represents the percentage movement in the Benchmark over the year.

### **Cost of Equity (“COE”)**

The cost of equity (“COE” or “Discount Rate”) is the minimum rate of return which an equity investor will expect to be compensated for investment risk.

### **Discount**

Discount is the amount by which the Ordinary share price is lower than the net asset value per Ordinary share. The discount is normally expressed as a percentage of the net asset value per share. NAV minus share price divided by NAV.

### **Dividend Pay-out Ratio#**

The ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. Calculated by dividing the Dividends Paid by Net Income.

### **Dividend Reinvested Basis**

Applicable to the calculation of return, this calculates the return by taking any dividends generated over the relevant period and reinvesting the proceeds to purchase new shares and compound returns.

### **Dividend Yield#**

The annual dividend expressed as a percentage of the current market price. (See Chairman’s Statement on page 3.)

### **EMEA**

Europe, Middle East and Africa (“EMEA”) is a geographic region.

### **Emerging Markets**

An emerging market economy is a developing nation that is becoming more engaged with global markets as it grows. Countries classified as emerging market economies are those with some, but not all, of the characteristics of a developed market.

### **Environmental, Social and Governance or “ESG”**

ESG (environmental, social and governance) is a term used in capital markets and used by investors to evaluate corporate behaviour and to determine the future financial performance of companies.

ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company’s carbon footprint and ensuring there are systems in place to ensure accountability.

### **Frontier Markets**

A Frontier market is a country that is more established than the least developed countries globally but still less established than the emerging markets because its economy is too small, carries too much inherent risk, or its markets are too illiquid to be considered an emerging market.



## Glossary of Terms (continued)

### Gearing<sup>#</sup>

Two methods of calculating such exposure are set out in the Alternative Investment Fund Managers Directive, gross and commitment.

Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. Investments (A) divided by Total Shareholders Funds (B):

Gross method = 97% (A = £75,897,000 / B = £78,606,000) x 100.

The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure. Investments (A) plus current assets (C) divided by Total Shareholders' funds (B), annually not half yearly:

Commitment method = 113% (A = £75,897,000) + (C = Cash £12,741,000 + Debtor £137,000) / B = £78,606,000) x 100.

### Gross Assets

Aggregate of all the Company's exposures including Gearing.

### Growth at a Reasonable Price ("GARP") Investing

GARP investing incorporates elements of growth and value investing, focusing on companies which have sustainable growth potential but do not demand a high valuation premium.

### Idiosyncratic Risk

Idiosyncratic or "Specific risk" is a risk that is particular to a company.

### Net Asset Value or NAV

The value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share. NAV divided by number of ordinary shares in issue at the period end.

### Ongoing Charges Figure ("OCF")<sup>#</sup>

The Ongoing Charge Figure is an accurate measure of what it costs to invest in a fund. It is made up of the Annual Management Charge (AMC) and a variety of other operating costs. These charges cover the cost of running the fund.

Ongoing charges for the period = management fees of £426,000 + other operating expenses of £370,000 = £796,000 / 6 months x 12 months = £1,592,000.

Average daily Shareholders' fund for the period = £112,341,000  
£1,592,000 / £112,341,000 = 1.42%.

### Return (per ordinary share)<sup>#</sup>

The return per ordinary share is based on the revenue/capital earned during the year divided by the weighted average number of shares in issue during the year.

### Relative Returns

Relative return is the difference between investment return and the return of a benchmark.

### Risk-adjusted Returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return.

### Return on Equity ("ROE")

Return on equity is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. This measure is used to understand how effectively management is using a company's assets to create profits.

### Share Price

The price of a single share of a company. The share price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for. The annualised share price movement is equivalent to the percentage movement of the share price over the year.

### Systematic Risk

Systematic risk or "Market risk" is the risk inherent to the entire market or market segment, not just a particular stock or industry.

### Total Return

Total return is the increase/(decrease) in NAV per share plus the dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.

## Directors and Officers

### Directors

Frances Daley, Chairman  
Nadya Wells  
Calum Thomson  
Christopher Granville  
Vivien Gould

### Registered Office

Beaufort House  
51 New North Road  
Exeter EX4 4EP

### Company Secretary

Link Company Matters Limited  
Beaufort House  
51 New North Road  
Exeter EX4 4EP

### Company number

4560726

### Alternative Investment Fund Manager

Baring Fund Managers Limited  
20 Old Bailey  
London EC4M 7BF  
  
Telephone: 020 7628 6000  
Facsimile: 020 7638 7928

### Auditor

BDO LLP  
150 Aldersgate Street  
London EC1A 4AB

### Depositary

State Street Trustees Limited  
20 Churchill Place  
Canary Wharf  
London E14 5HJ

### Custodian

State Street Bank & Trust Company Limited  
20 Churchill Place  
Canary Wharf  
London E14 5HJ

### Administrator

Northern Trust Global Services SE  
50 Bank Street  
Canary Wharf  
London E14 5NT

Telephone: 0207 982 2000

With effect from 22 April 2020

Link Alternative Fund Administrators Limited  
Beaufort House  
51 New North Road  
Exeter EX4 4EP  
Telephone: 01392 477500

### Registrars and transfer office

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Telephone: 0371 664 0300  
Overseas: +44 371 664 0300

*Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales)*

Email: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

### Broker

JP Morgan Cazenove  
25 Bank Street  
Floor 29, Canary Wharf  
London E14 5JP

### Website

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

*Please note this should be accessed via the Barings website ([www.baring.com](http://www.baring.com)). Please select Investment Trust.*



# BARINGS

**Baring Asset Management Limited**

20 Old Bailey

London EC4M 7BF

Telephone: 020 7628 6000

(Authorised and regulated by the Financial Conduct Authority)

**[www.baring.com](http://www.baring.com)**

Registered in England and Wales no: 02915887

Registered office as above.