



**Fidelity**<sup>TM</sup>  
INTERNATIONAL

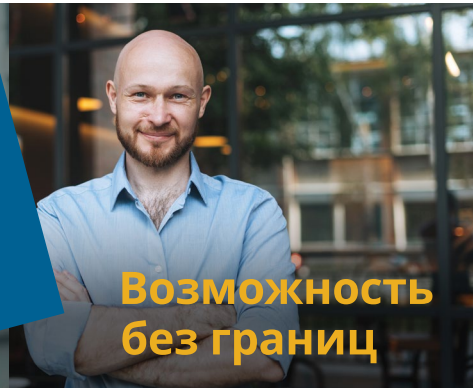


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# FIDELITY EMERGING MARKETS LIMITED

Half Year Report and Unaudited Financial Statements  
for the six months ended 31 December 2021

We speak  
the language  
of opportunity  
– wherever it  
emerges



Возможность  
без границ



缺的  
从来不是机会



दुनिया के  
उभरते बाज़ारों  
में निवेश

## FIDELITY EMERGING MARKETS LIMITED

Whether it's in Taiwanese tech, Indian financial services or Chinese infrastructure, we know where to find opportunities hidden within emerging markets.

Fidelity Emerging Markets Limited uncovers great companies through our experienced global team, backed by what we believe are unrivalled on-the-ground research capabilities. Meaning you can make the most of our extensive expertise, without learning a whole new language.

The value of investments can go down as well as up, so you may get back less than you invest. Overseas investments are subject to currency fluctuations.

Investments in emerging markets can be more volatile than other more developed markets. The Company uses financial derivative instruments for investment purposes, which may expose it to a higher degree of risk and can cause investments to experience larger than average price fluctuations.



To find out more, visit [fidelity.co.uk/emergingmarkets](https://fidelity.co.uk/emergingmarkets), scan the QR code or speak to your adviser.



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## Chairman's Statement

Read more on pages 05 to 06



## Investment Manager's Half Year Review

Read more on pages 07 to 13

### Net Asset Value per Share as at 31 December

2021	919.08p
2020	967.49p
2019	867.26p

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### Share Price as at 31 December

2021	821.00p
2020	890.00p
2019	792.00p

# Company Overview

## Change of Name

On 1 October 2021, the Company changed its name from Genesis Emerging Markets Fund Limited to Fidelity Emerging Markets Limited.

## Investment Objective

The investment objective of Fidelity Emerging Markets Limited (the 'Company' or 'FEML') is to achieve long term capital growth from an actively managed portfolio made up primarily of securities and financial instruments providing exposure to emerging market companies, both listed and unlisted.

## Investment Approach

Fidelity International believes that many emerging market companies can sustain high levels of economic growth for years to come, driven by attractive demographic profiles, immature markets, an abundance of untapped natural resources, and generally low levels of indebtedness. However, whilst these positive attributes provide a fertile environment for companies to grow their earnings, it is critical to ensure that each company we invest in can generate superior and sustainable returns on assets that permit them to fund the growth of their business, withstand competitive pressures and achieve attractive returns for minority shareholders. With this in mind, Fidelity International defines high calibre companies as those that exhibit: quality, consistency of returns, and are available at a reasonable price.

## Structure

FEML is a Guernsey based Authorised Closed-Ended Investment Scheme with the ability to issue additional shares. The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority, traded on the London Stock Exchange and are included in the FTSE 250. The number of Participating Preference Shares in issue is 91,100,066 as at 31 December 2021 (30 June 2021: 121,466,754).

## Manager and Investment Manager

Up until 4 October 2021 the Company's Investment Manager was Genesis Investment Management LLP ('GIML' or 'Genesis').

With effect from 4 October 2021, FIL Investment Services (UK) Limited was appointed as the Alternative Investment Fund Manager of the Company ('the Manager'), with the investment management of the Company to be undertaken by FIL Investments International ('Fidelity International', 'the Investment Manager'), collectively 'Fidelity'.

## At a Glance

for the six months to 31 December 2021 (Total Return in GBP)

**Share Price  
Total Return<sup>1,2</sup>**

**-10.7%**

(30 June 2021: 25.9%)

**Net Asset Value per  
Participating Preference  
Share Total Return<sup>1,2</sup>**

**-9.3%**

(30 June 2021: 19.1%)

**MSCI Emerging  
Markets Index<sup>1</sup>**

**-7.4%**

(30 June 2021: 18.8%)

**Active Share<sup>2</sup>**

**109%**

(30 June 2021: 72%)

Source: JPMorgan and Datastream.

1 Includes reinvested income.

2 Alternative Performance Measure – refer to Glossary of Terms on pages 34 to 36.

### As at 31 December 2021

#### Equity Shareholders' Funds

**£837.2m**

#### Market Capitalisation

**£747.9m**

#### Capital Structure

Number of Participating Preference Shares in issue

**91,100,066**

### Summary of the key aspects of the Investment Policy

The Company aims to achieve long term growth by primarily investing in securities and financial instruments providing exposure to emerging markets companies.

The Investment Manager invests at least 80% in companies with head offices, listings, assets, operations, income, or revenues predominantly in or derived from emerging markets.

A diversified portfolio of at least 75 holdings in companies listed or operating in at least 15 countries is maintained.

The Company may also invest into other transferable securities, investment companies, money market instruments, unlisted shares, cash and deposits. It is able to use derivatives for efficient portfolio management, to gain additional market exposure (gearing), to seek a positive return from falling asset prices, and for other investment purposes.

# Financial Performance

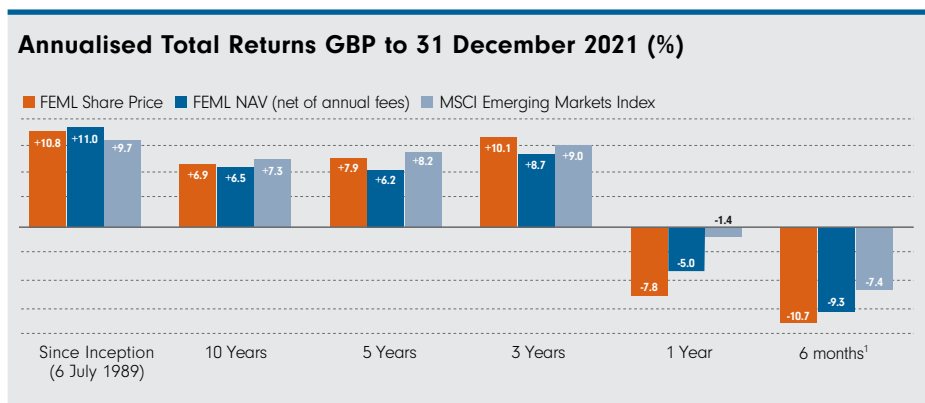
	31 December 2021	30 June 2021
<b>Assets</b>		
<b>USD</b>		
Gross Asset Exposure <sup>1</sup>	\$1,567.7m	\$1,699.1m
Equity Shareholders' Funds	\$1,134.0m	\$1,699.1m
NAV per Participating Preference Share <sup>2</sup>	\$12.45	\$13.99
Dividend per Participating Preference Share	\$0.18	\$0.18
Gross Gearing <sup>2,3</sup>	38.2%	n/a
Net Gearing <sup>2,4</sup>	(1.6%)	n/a
<b>GBP</b>		
Gross Asset Exposure <sup>1</sup>	£1,157.4m	£1,230.0m
Equity Shareholders' Funds	£837.2m	£1,230.0m
NAV per Participating Preference Share <sup>2</sup>	£9.19	£10.13
<b>Participating Preference Share Price and Discount Data</b>		
Participating Preference Share Price at the period end	£8.21	£9.19
Discount to NAV per Participating Preference Share at period end <sup>2</sup>	10.66%	9.28%
Number of Participating Preference Shares in issue	91,100,066	121,466,754
<b>Results for the six months ended 31 December</b>		
	<b>2021</b>	<b>2020</b>
Revenue Earnings per Participating Preference Share <sup>2</sup>	\$0.02	\$0.07
Capital (Loss)/Earnings per Participating Preference Share <sup>2</sup>	(\$1.49)	\$3.15
Total (Loss)/Earnings per Participating Preference Share <sup>2</sup>	(\$1.47)	\$3.22
Ongoing charges ratio <sup>2</sup>	0.49%	1.05%

1 The value of the portfolio exposed to market price movements.

2 Alternative Performance Measure – refer to Glossary of Terms on pages 34 to 36.

3 Gross Asset Exposure less Equity Shareholders' Funds expressed as a percentage of Equity Shareholders' Funds.

4 Net Market Exposure less Equity Shareholders' Funds expressed as a percentage of Equity Shareholders' Funds.



Source: JPMorgan and Datastream.

1 Six months figure not annualised.



# Chairman's Statement



I am pleased to present to shareholders the Half Year Report and Unaudited Financial Statements of the Company for the six months ended 31 December 2021.

**Hélène Ploix, Chairman**

## Recent developments in Ukraine

In recent days, during the final stages of drafting this report, Russia has invaded the Ukraine. Although these events follow the period under review, it would be remiss of us not to reflect briefly on the implications for emerging markets and for the Company.

This military action is the culmination of tensions that have been building in the region, and between Russia and western democracies in recent months. However, the speed with which the situation escalated caught governments and investors alike by surprise.

The situation is fluid and changing rapidly, we are therefore limited in the conclusions which we can currently draw, however it is apparent that sanctions impacting Russian companies are likely to be in place for some time, and further market volatility is expected.

The Company had an above-benchmark allocation to Russian companies going into this crisis, reflecting the Investment Manager's positive view on the strengths of the individual businesses within the portfolio, but as set out in this report this was reduced significantly with an index hedge position in December as political tensions worsened. At the time of writing the Company has reduced its net exposure to Russian securities to 1.95% compared with an

index weight of 2.22% (as at 25 February 2022). The Investment Manager is monitoring the situation closely and will endeavour to keep shareholders informed of relevant changes to the portfolio or situation as frequently as possible. Please refer to the company's website [fidelity.co.uk/emergingmarkets](https://fidelity.co.uk/emergingmarkets) for the latest updates.

## Overview and Summary of Changes

The six months to 31 December 2021 saw significant changes to the Company. A new investment policy and an overhauled portfolio have been introduced. These include the use of an extended investment toolkit, permitting derivatives which provide the ability to profit from the fall in value of shares – commonly referred to as shorting. The Company also made a substantial return of capital to shareholders as part of a tender offer. These changes coincided with a volatile period for emerging markets, and consequently for the investment returns of the portfolio.

Over the six-month period the net asset value fell by 9.3% and the share price declined by 10.7%, compared with a 7.4% decline in the Company's benchmark index, the MSCI Emerging Markets Index. Further details about the drivers of performance is provided in the Investment Manager's Half Year Review on pages 7 to 13.

## Chairman's Statement continued

As described in the Annual Report for the year ended 30 June 2021 and set out in more detail in the Company Overview on page 2 of this report, on 1 October 2021, the Company changed its name from Genesis Emerging Markets Fund Limited to Fidelity Emerging Markets Limited. On 4 October 2021 FIL Investment Services (UK) Limited was appointed as the Alternative Investment Fund Manager of the Company ('the Manager'), with the investment management of the Company to be undertaken by FIL Investments International ('Fidelity International', 'the Investment Manager'), collectively 'Fidelity'.

### Tender Offer and Portfolio Transition

Following the appointment of Fidelity, the process of registering these changes with the relevant exchanges, and the transitioning of the portfolio began. In parallel, Fidelity worked to identify the assets to liquidate in support of the Tender Offer which took place during that month. On completion of the Tender Offer on 22 October 2021, a total of 30,366,688 Participating Preference Shares (25% of the Company's issued share capital) were repurchased by the Company for cancellation. The result of which being that the number of Participating Preference Shares in issue reduced to 91,100,066.

The Company subsequently announced on 1 November 2021 that the portfolio transition was substantially complete – and that there had been significant changes to the largest holdings within the portfolio. A spotlight on the top five can be found on pages 14 and 15, in addition details of the twenty largest investments can be found on pages 18 and 19.

### Investment Performance and Market Context

During the second half of 2021, investors continued to grapple with economic uncertainty driven by the pandemic, increased regulation in China, geopolitical tensions, and an increasingly hawkish tone from the US Federal Reserve.

As set out above, the rapid escalation in geopolitical tensions between Russia and the West over the Ukraine has hampered performance more recently. The Company's overweight position in Russia into December reflected strong conviction in a series of entrepreneurial businesses which overall performed well in 2021; however a deterioration in relations during late 2021 and into the new year was detrimental to performance as fears of invasion were realised and a raft of international sanctions were deployed. As a prudent measure, the Investment Manager has introduced an index short to provide some protection against growing market risk in Russia.

### 2021 AGM and Final Dividend

The Company held its Annual General Meeting ('AGM') on 8 December 2021, and as ever, I appreciate shareholders' support and thank you for your approval of all resolutions presented at the meeting.

A final dividend of 13.44p (18.0 cents) per Participating Preference Share was approved by shareholders and paid on 17 December 2021.

### Outlook

Amid the volatility, opportunity emerges to acquire good quality businesses at particularly attractive valuations. It is not the first and will not be the last time that geopolitical tensions have impacted on short term performance of emerging markets in general and Russia in particular. The Board is confident that the team at Fidelity has the necessary experience to navigate these turbulent waters and we believe that despite undeniable short term uncertainty the long term case for investing in emerging markets remains strong.

**Hélène Ploix**  
Chairman

1 March 2022



# Investment Manager's Half Year Review

## Performance review to 31 December 2021

Over the six-month period ended 31 December 2021, the net asset value ("NAV") of Fidelity Emerging Markets Limited fell 9.3% and the share price declined by 10.7% compared with a 7.4% decline for the benchmark index.

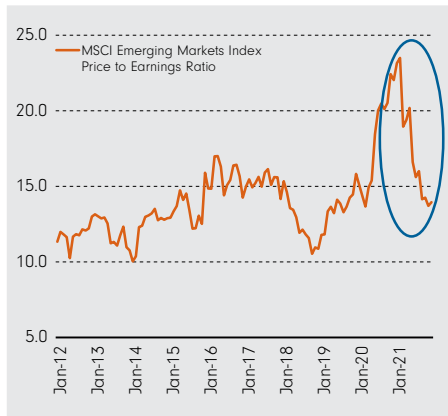
During 2021, investors grappled with economic uncertainty, pandemic-induced disruption, mounting regulation, geopolitical tensions, and an increasingly hawkish tone from the US Federal Reserve. The result was a period of substantial bifurcation in returns: oil-rich countries soared in contrast to Chinese equities.

China fell from favour as policymakers imposed regulatory restrictions on technology, education, and other new-economy sectors as part of president Xi Jinping's drive for "common prosperity". Volatility, as a result of the actions, was soon overshadowed by

a crackdown on high levels of borrowing (leverage) across the real estate sector. Evergrande, the world's most indebted developer, was engulfed by a liquidity crisis. More broadly, consumption slowed as retail sales and consumer activity were constrained by the pandemic and extreme weather.

As market sentiment deteriorated, emerging market equities experienced the sharpest decline in valuation multiples in a decade. Valuations have clearly been impacted by higher inflation, but emerging market central banks have already responded with rate hikes, and, as inflation eases, it is reasonable to expect the market to re-rate. With a lot of negative news discounted in emerging market equity prices, this is a favourable environment for stock pickers to acquire good companies at attractive valuations on a medium to long term view.

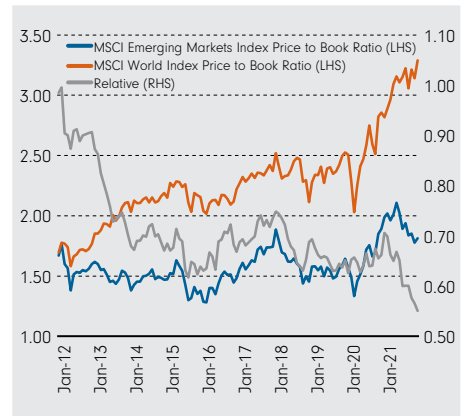
## The sharpest index derating in a decade



Source: Bloomberg and Fidelity International, as at 31 December 2021.

MSCI Emerging Markets Net Total Return Index USD.

## A deep discount to developed markets



Source: Bloomberg and Fidelity International, as at 31 December 2021.

MSCI Emerging Markets Net Total Return Index USD and MSCI World Index Net Total Return Index USD.

# Investment Manager's Half Year Review continued

## Key Contributors (for the period 4 October 2021 to 31 December 2021 – Fidelity Tenure)

Order	Security	Average Active Weight (%)	Contribution to Relative Returns (%)
<b>Top 5 Contributors</b>			
1	Media Tek	1.69	0.66
2	First Quantum Minerals	3.37	0.61
3	Samsung Electronics	2.67	0.57
4	SK Hynix	1.75	0.52
5	Armac Locacao Logistica E Servicos	1.45	0.34
<b>Total</b>			<b>2.70</b>

## Key Detractors (for the period 4 October 2021 to 31 December 2021 – Fidelity Tenure)

Order	Security	Average Active Weight (%)	Contribution to Relative Returns (%)
<b>Bottom 5 Detractors</b>			
1	TCS Group	5.41	-1.11
2	Sberbank	3.44	-0.76
3	Gazprom	3.38	-0.58
4	HDFC Bank	5.34	-0.42
5	AIA Group	3.12	-0.32
<b>Total</b>			<b>-3.19</b>

Source: Fidelity International, as at 31 December 2021. Based on actual attribution. Attribution is gross of fees and exclude expenses. Holdings in different securities issued by the same company are aggregated, therefore country/region classification is according to that of the main issuer. Average Active Weight is average over or under-weight relative to MSCI Emerging Markets Index for the period 4 October 2021 to 31 December 2021.

**Past performance is not a reliable indicator of future results. The fund invests in overseas markets and so the value of investments can be affected by changes in currency exchange rates. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.**

Financial stocks generated strong returns through 2021 as economies re-opened and more cyclical areas of the market generally performed well. Innovation in the financial industry is abundant, and increasing demand for a broader range of financial products

and services by a vast but underpenetrated consumer base offers a long and attractive runway for growth. However, some of the portfolio's financial holdings suffered as the market became more risk averse during the final months of the year.

Russia's TCS Group ('TCS') and Sberbank initially outperformed through to late October, driven by robust fundamentals and the strength of the domestic economy. However, growing fears of Russia invading Ukraine sparked a sell off as investors weighed up the risk of sanctions which are now being enforced. TCS was the most significant detractor despite no suggestion that its business would be sanctioned. TCS has delivered strong double-digit earnings growth over the past five years and recently reported impressive results, however, this was overlooked by the market in favour of derisking. Sberbank was also sold by the market as fears of sanctions grew.

In December it became apparent that risk in the Russian market was elevated and we took steps to mitigate some of the risks. Over the course of the last decade, we have seen a series of sharp selloffs driven by events such as the Mueller Investigation and the annexation of Crimea.

We maintained an overweight position in the market into 2022 because of our bottom-up stock picking approach. Whilst we cannot predict events over the days and weeks ahead, we do not dismiss the idea that markets may sell down further. The extent to which the market has already derated is reflected in MSCI Russia trading at circa 11% dividend yield as of 31 December 2021, and considerably cheaper valuations since the period end. Amongst our holdings we see meaningful valuation support, and attractive yields at the stock level although the risks in the market have changed in recent days. Positioning is well diversified across a series of holdings, consisting of strong domestic franchises such as TCS and low-cost producers

in areas such as steel and fertiliser. Indeed, the exporters have been remarkably resilient through this period of market turmoil.

Importantly, using the tools available to us, as a prudent measure, we introduced an index short on the Russian market to provide some protection against broader market risk. The hedge significantly reduced the previous overweight by approximately 9.5% (as of 31 December 2021, reflected in pages 16 and 19 of the report). However, given the high yield of the Russian Market, this hedge position has commensurately reduced the income of the Company for the period, based on the dividend paid by the ETF being shorted in December, as reflected in the income statement on page 23. It did, however, provide a degree of capital protection as Russian markets sold off.

India's HDFC Bank was caught in broad-based weakness in global equities following fears around the Omicron variant and a more hawkish Federal Reserve. In India, concerns were exacerbated by a series of losses in local financial institutions that affected sentiment towards the entire sector. Hong Kong-based insurer AIA Group's third quarter earnings disappointed investors and reflected pressures from new Covid-19 outbreaks in the ASEAN region and the ongoing Hong Kong-China border closure.

The second half of 2021 was a stronger period for our holdings in the IT sector. Media Tek, a leading fabless design company based in Taiwan with products focused on smartphones, consumer electronics and the 'Internet Of Things', reported market share gains following high demand for its 4G chipsets and competitive 5G System-on-Chips

## Investment Manager's Half Year Review continued

(SOC). South Korea's SK Hynix received a boost after China approved its deal to acquire Intel's NAND unit, further cementing its industry position. Intense buying by foreign investors supported South Korean tech stocks including Samsung Electronics. In Software and Services, Infosys, a global consulting firm that draws on India's large and highly educated workforce, saw further market share gains.

Despite Brazil's poor market performance, heavy equipment rental company Armac rose on outstanding revenue growth. More broadly, positioning in Brazil was rewarded. A local digital payment company held in the short book saw its share price collapse as the company reported heavy net losses due to a write-down in the fair value of its investments. During the final months of 2021, shorting activity made an important contribution to performance in a falling market.

Canada-listed First Quantum Minerals, a miner with assets in Zambia and Panama, outperformed in a period of extreme physical shortages in the copper market. While these short term drivers of the stock are important, we maintain a positive view on copper underpinned by medium term supply constraints and the transition to a greener economy, which we believe will lead to rising long term structural demand following years of underinvestment in mining assets.

We are prudent in our approach, and careful to ensure that this high conviction portfolio is balanced and capital is allocated to companies that demonstrate quality characteristics such as healthy balance sheets and superior and sustainable profits. This half year has been a tumultuous period, but

experience has repeatedly taught us that fundamentals are rewarded over time and share prices follow the trajectory of earnings.

### Investment Strategy

Over the past decade we have fine-tuned a strategy that utilises a suite of investment attributes to uncover opportunities in this vast universe. For the long book, we are resolutely focused on identifying dominant franchises that are able to take advantage of structural growth opportunities. For short positions (where we seek profit from the fall in value of shares), we target the weakest stocks most exposed to competitive threats and financial distress. The ability to complement long investments with short positions provides additional sources of returns and is supported by our extensive global network of research analysts. Stock picking dictates the shape of the portfolio, while sector and country positions are a residual outcome of this approach.

In 2021, we actively reduced exposure to Chinese companies, adopting a more cautious stance on the internet sector and companies exposed to the capital cycle. There will be casualties from the government's push to clean up the property sector, but winners will also emerge. Recently, we have taken advantage in oversold sectors, adding China Overseas Land & Investment (COLI), a safe and conservative developer that was trading at a bankruptcy price. The collapse of Evergrande will lead to a more consolidated real estate sector in the future with less leverage in the system. Overall, 2022 will be a challenging year for China, but the bad news is largely reflected in the price. As the economy and regulatory environment stabilises and as we gain confidence, we will build exposure.

Across Emerging Asia more broadly, we continue to believe that a series of pre-eminent information technology companies such as TSMC, SK Hynix and Samsung Electronics can deliver attractive shareholder returns. The market obsesses over short term demand, the long term story is of exponential growth in data, and these companies play a crucial role in providing the building blocks for processing power and storage. Alongside these holdings we maintain exposure to other leading but lesser known companies such as Silergy and MediaTek.

The magnitude of the overweight reflects the extent to which the largest holdings are highly liquid stocks in which we have high conviction. In a global sector such as tech, we are inclined to own the very best businesses in scale. For example, TSMC has built a technological moat over the past 3 decades and occupies an especially dominant position at the leading-edge as tier 2 competing foundries have dropped from the race due to technical hurdles and a high capex barrier. TSMC's position has been cemented by its ability to hire the best talent while continuously improving its know-how which keeps it ahead of the competition, while generating cash flow to feed back into investing in Research and Development and capacity.

Similarly, our holdings in the materials sector are largely driven by long term structural drivers. Tightening emissions regulations and government incentives are lifting demand for cleaner fuels and electric vehicles. Companies in related industries are also a rich source of ideas as we look forward to a decarbonised

future. Accelerating adoption of electric vehicles promises ongoing demand for copper, which serves multiple purposes in the production chain. Demand for copper is also driven by the rollout of 5G. We own copper miners Grupo Mexico and First Quantum Minerals.

Commodities play an important role in emerging markets by acting as a hedge in an inflationary environment. As prices have risen in the energy complex, we continue to hold Russia's Gazprom. The company benefits from high liquified natural gas prices as a result of scarce supply and strong demand from Asia, amid the accelerating transition from coal to gas in the absence of sufficient alternatives. We also hold steel manufacturers NLMK and Ternium, and fertiliser producer Phosagro. These cash generative exporters offer attractive dividends and help balance the portfolio. In inflationary periods where value stocks tend to lead the market, these holdings are typically among the stronger performers.

Arguments that inflationary pressures are transitory are being dismissed, and central banks across the world are evaluating interest rate rises while delicately managing the recovery. Emerging markets central banks proactively began to hike rates when major central banks were still dovish. Normalising monetary policy generally supports core earnings for banks in the developing world, we have a good level of exposure to financials.

South East Asian Banks HDFC Bank and Bank Central Asia have strong fundamentals and have come out stronger from the pandemic.

## Investment Manager's Half Year Review continued

Growing population, favorable demographics, and low credit penetration in their respective country is also supportive of healthy prospects.

Fintech innovation continues to emerge, and financial institutions are expanding their online propositions. Our preference is for high quality financials with a consistent focus on asset quality that exhibit a long runway for growth with market share gains and greater cross-selling potential. Among our largest positions in financials are Kaspi, HDFC Bank, TCS, Chailease and Bajaj Finance.

Whilst the position in financials is large, the exposure is diversified across geographies and activities. We are exposed to a series of innovative fintechs, more traditional banks, insurers, and consumer lending firms. Rather than being a global sector, where stocks move in tandem these businesses are far more influenced by the local domestic dynamics. In many cases, particularly in more expensive markets such as India, the financial sector can offer a route to a large and burgeoning consumer base at a more attractive valuation than traditional consumer stocks.

Given the flexible nature of the Investment Company, we actively seek ideas in smaller companies. Brazil's Pet Center Comercio offers pet food and goods in a growing market where the company benefits from a favourable market structure and growth potential in its store base. In industrials, Brazilian transportation company Vamos operates in an underpenetrated truck rental market. HeadHunter is a leading classified jobs company in Russian speaking countries. We also own under-researched

stocks such as Alphamin, a pure play metal producer with an exceptional fundamental outlook. It controls the leading tin deposit in the world, has a double digit free cashflow even at low tin prices, and trades on an attractive valuation. Upside potential comes from rising tin prices or higher production. The decision to buy Alphamin is testament to the scale of Fidelity's research platform; the stock has no broker coverage at all.

Shorting activity is core to the approach and is reflected in a series of positions across sectors and countries to maintain a balanced portfolio. We continue to short individual stocks and, as mentioned, have introduced an index hedge to provide portfolio protection in Russia given elevated geopolitical tensions in the Ukraine. At a stock level, we are selectively shorting in areas such as Chinese EVs where competitive intensity is rising, retailers that are absent an online proposition, debt-laden and high-cost commodity producers, and expensive banks with minimal growth prospects in the Arabian Gulf.

Despite current volatility, we believe that fundamentals will return to the fore as the unprecedented fiscal and monetary policy support begins to fade. Emerging markets have de-rated and the overall discount to developed markets is wide. We are confident this portfolio remains resilient with enduring quality characteristics centred around high returns, conservative balance sheets and low valuation multiples, and has the capacity to deliver attractive total shareholder returns in the long term.



## Use of Derivatives

During the review period, the Company adopted the use of contracts for difference (“CFDs”) to gear portfolio long exposure and to deploy short positions. Whilst new to the investment company this strategy has been adopted by the investment team since 2011 and enables the portfolio managers to exploit a significant number of attractive investment opportunities with meaningful return potential. The decision to extend the long book is balanced with a series of short positions resulting in a net market exposure of 98.4% at the end of December. The use of shorting techniques is subject to stringent oversight and risk management.

## Post-Balance Sheet Update on Russian Exposure – 25 February 2022

As set out in the Chairman’s Statement and throughout this report, following 31 December 2021 the situation in Ukraine has deteriorated rapidly.

Additional sanctions have been applied to a variety of Russian companies, and we are therefore taking this opportunity to update on the Company’s exposure to Russian markets and securities to the most recent date practicable:

### Breakdown of Russian Exposure as at 25 February 2022

Aggregate Russia – Long	6.92%
Gazprom	2.26%
TCS Group	1.63%
Phosagro	1.01%
Novolipetsk Steel	0.54%
Headhunter Group	0.44%
Others	1.04%
Aggregate Russia – Short	-4.97%
Single Stock Short	-0.21%
Russia Index Short	-4.76%

<b>Aggregate Russia %</b>	<b>1.95%</b>
<b>Ukraine</b>	<b>0.00%</b>

Source: Fidelity International

## Nick Price

Portfolio Manager  
1 March 2022

# Spotlight on the Top 5 Holdings

as at 31 December 2021

The top five holdings comprise 35.8% of the Company's Net Assets.

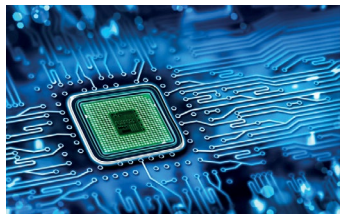
**Industry:** Information Technology

**Country:** Taiwan

## Taiwan Semiconductor Manufacturing

% of Net Assets

10.0%



TSMC is global leading semiconductor foundry that has built a technological moat over the past 3 decades and occupies an especially dominant position at the leading-edge technology as other foundries have dropped from the race due to technical hurdles and a high capex barrier. The company's ability to hire the best talent continuously keeps it ahead of the competition, while generating strong cash flow to feed back into research and development and capacity. Whilst the industry remains cyclical, persistent technological innovation underpins more sustained and structural demand.

**Industry:** Information Technology

**Country:** South Korea

## Samsung Electronics

% of Net Assets

8.5%



Samsung is a diversified electronics company with the number one market share in memory and a large presence in mobiles, display and consumer electronics. The portfolio managers' conviction in the business is driven by the company's presence in memory; an industry which is highly consolidated to the benefit of Samsung. Technological advancements will drive more sustained demand for memory, with little threat of disruption from Chinese competition for the foreseeable future. The company is valued very attractively with scope for improved shareholder returns over time.

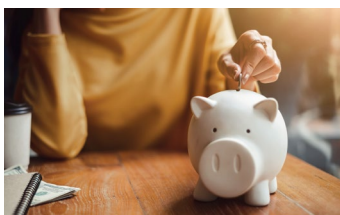
**Industry:** Financials

**Country:** Kazakhstan

## Kaspi.kz

% of Net Assets

6.0%



Kazakhstan's dominant consumer finance, ecommerce and payments platform was a traditional universal bank which has transformed into a super app for personal lending, credit cards, bill payments, peer to peer payments, ecommerce, and retail deposits. The app became dominant very quickly and it is difficult to see competition dismantling its market position. Despite solid market share the company continues to exhibit fast and profitable growth.

**Industry:** Financials  
**Country:** Russia

### TCS Group

**% of Net Assets**

5.7%



Today Tinkoff Credit Systems is the 2nd largest credit card lender in Russia after Sberbank with a 10% market share. This business exhibits strong growth and profitability, with an appetite for continued growth through a broadening of its client proposition. More recently, online savings accounts and mortgage broking have been added to the suite of services, delivered by a longstanding management team with a strong track record of execution in driving new products home.

**Industry:** Financials  
**Country:** India

### HDFC Bank

**% of Net Assets**

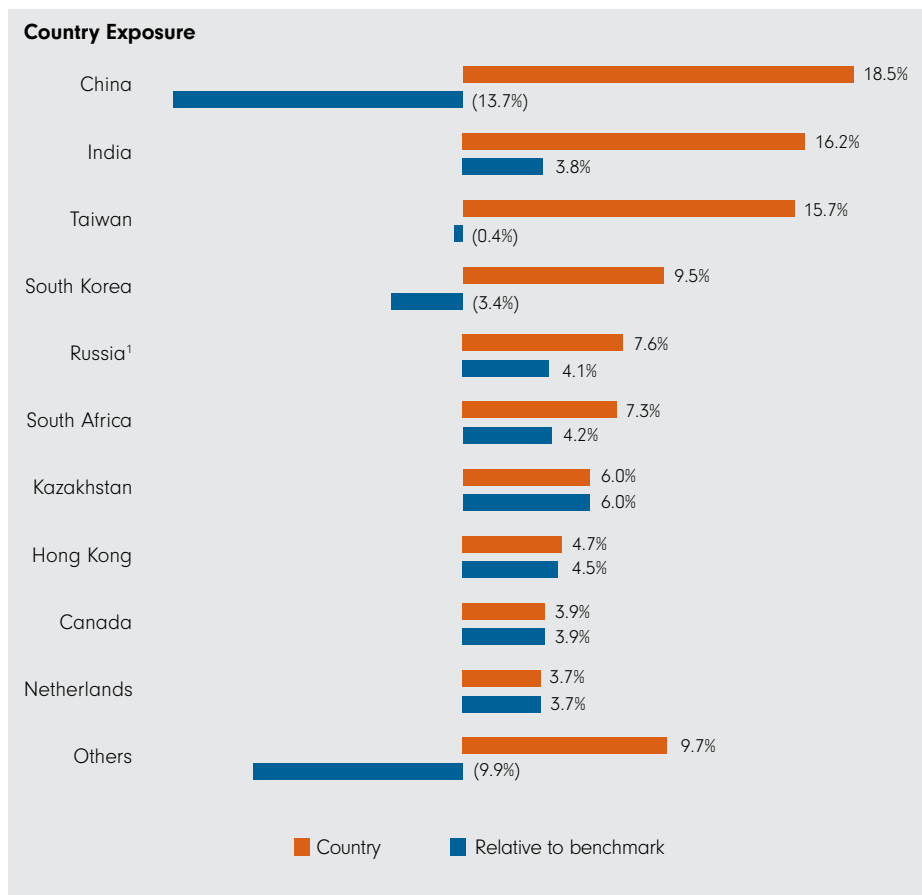
5.6%



HDFC Bank is the largest bank in the country after State Bank of India. The business is favoured for its impeccable track record having consistently delivered superior growth versus the industry whilst maintaining the best asset quality in the banking sector across cycles. HDFC has excellent management, systems and processes. The bank has the lowest cost of funds in the industry thus giving it a competitive advantage. The future growth opportunity is immense and can be driven by an increase in retail credit penetration, branch expansion, market share gains and better cross selling to existing customers.

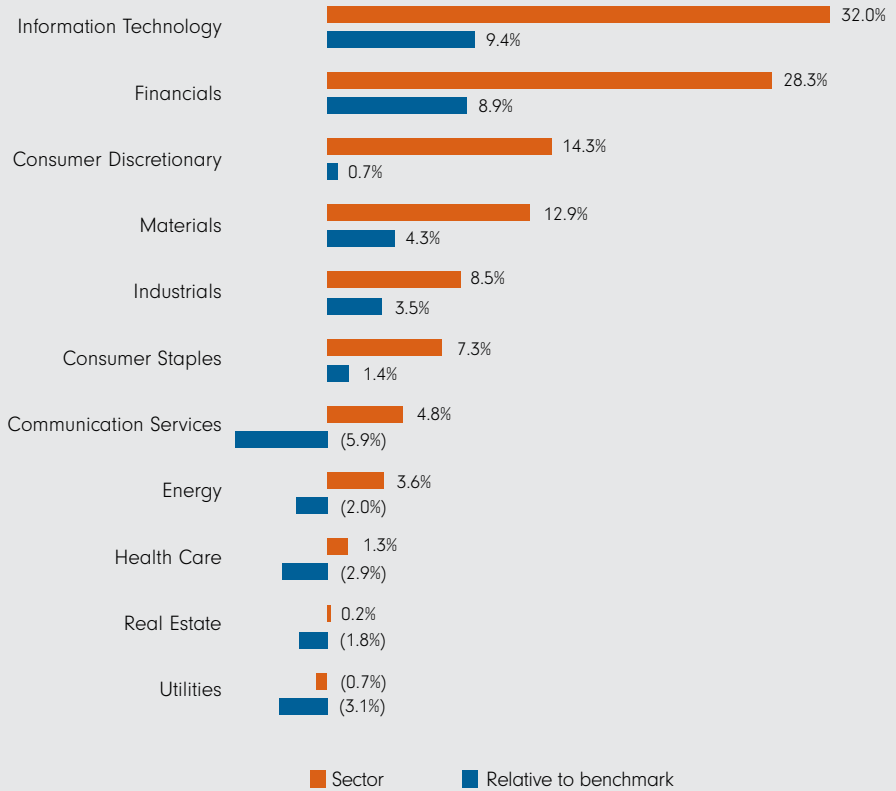
# Country and Sector Exposure of the Portfolio

as at 31 December 2021



<sup>1</sup> Includes impact of Russian Index hedge introduced during December.

## Sector Exposure



## Twenty Largest Investments

as at 31 December 2021

The Asset Exposures shown below measure the exposure of the Company's portfolio to market price movements in the shares and equity linked notes owned or in the shares underlying the derivative instruments. The Fair Value is the value the portfolio could be sold for and is the value shown on the Statement of Financial Position. Where a contract for difference ("CFD") is held, the fair value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying shares has moved.

	Asset Exposure		Fair value
	\$'000	% <sup>1</sup>	\$'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Taiwan Semiconductor Manufacturing</b>			
Information Technology	113,968	10.0	113,968
<b>Samsung Electronics (shares and long CFD)</b>			
Information Technology	96,775	8.5	46,176
<b>Kaspi.kz</b>			
Financials	67,818	6.0	67,818
<b>TCS Group (shares and long CFD)</b>			
Financials	64,653	5.7	46,077
<b>HDFC Bank</b>			
Financials	63,573	5.6	63,573
<b>China Mengniu Dairy (long CFD)</b>			
Consumer Staples	52,923	4.7	(1,078)
<b>First Quantum Minerals</b>			
Materials	46,387	4.1	46,387
<b>Media Tek</b>			
Information Technology	46,323	4.1	46,323
<b>Gazprom (shares and long CFD)</b>			
Energy	43,841	3.9	39,951
<b>Infosys Technology (long CFD)</b>			
Information Technology	41,527	3.7	1,280
<b>AIA Group (long CFD)</b>			
Financials	36,127	3.2	(1,953)
<b>SK Hynix</b>			
Information Technology	34,848	3.1	34,848
<b>Sberbank</b>			
Financials	34,257	3.0	34,257
<b>Zhejiang Sanhua 04/03/2022 (Equity Linked Note)</b>			
Industrials	30,620	2.7	30,620



	Asset Exposure \$'000	% <sup>1</sup>	Fair value \$'000
<b>MTN Group</b>			
Communication Services	29,551	2.6	29,551
<b>Chailease</b>			
Financials	26,410	2.3	26,410
<b>Prosus (long CFD)</b>			
Consumer Discretionary	24,997	2.2	816
<b>Armac Locacao Logistica E Servicos</b>			
Industrials	24,314	2.1	24,314
<b>Zhongsheng Group (long CFD)</b>			
Consumer Discretionary	23,571	2.1	(892)
<b>Midea Group</b>			
Consumer Discretionary	22,775	2.0	22,775
<b>Twenty largest long exposures</b>	<b>925,258</b>	<b>81.6</b>	<b>671,221</b>
Other long exposures	436,059	38.4	436,059
Long CFDs (11 holdings)	136,252	12.0	(433)
<b>Total long exposures before hedges (52 holdings)</b>	<b>1,497,569</b>	<b>132.0</b>	<b>1,106,847</b>
<b>Less: Hedging exposures</b>			
Short CFD: Russia Index ETF	(107,414)	(9.5)	(1,089)
Short future: MSCI Emerging Markets Index March 2022	(48,143)	(4.2)	(256)
<b>Total hedging exposures</b>	<b>(155,557)</b>	<b>(13.7)</b>	<b>(1,345)</b>
<b>Total long exposures after the netting of hedges</b>	<b>1,342,012</b>	<b>118.3</b>	<b>1,105,502</b>
<b>Add: short exposures</b>			
Short CFDs (82 holdings)	222,203	19.6	(4,519)
Options (9 holdings)	3,521	0.3	(564)
<b>Total short exposures</b>	<b>225,724</b>	<b>19.9</b>	<b>(5,083)</b>
<b>Gross Asset Exposure<sup>2</sup></b>	<b>1,567,736</b>	<b>138.2</b>	
<b>Portfolio Fair Value<sup>3</sup></b>			<b>1,100,419</b>
Net current assets (excluding derivative assets and liabilities)			33,609
<b>Total Equity</b>			<b>1,134,028</b>

<sup>1</sup> Asset Exposure is expressed as a percentage of net assets.

<sup>2</sup> Asset Exposure comprises market exposure to investments of \$1,108,992,000 plus market exposure to derivative instruments of \$458,744,000.

<sup>3</sup> Portfolio Fair Value comprises investments of \$1,108,992,000 plus derivative assets of \$7,668,000 less derivative liabilities of \$16,241,000 (per the Statement of Financial Position on page 22)

# Interim Management Report

## Principal and Emerging Risks and Uncertainties

The principal risks facing the Company are market risk, liquidity risk, custody risk, investment and investment strategy risk, share price movement and discount risk, operational risk, and credit and counterparty risk. Full details of these risks and how they are managed are set out on pages 10 to 14 of the Company's Annual Report for the year ended 30 June 2021 which is available on the Company's website at [www.fidelity.co.uk/emergingmarkets](http://www.fidelity.co.uk/emergingmarkets). The principal risks have not changed since those detailed in the Annual Report. The Board continues to monitor the principal risks facing the Company.

Emerging risks that could impact the Company in the future are considered at each Board meeting along with any mitigating actions. In the Annual Report to 30 June 2021 we noted the risks associated with the Covid-19 pandemic and the Chinese property sector (including concerns about the future of China Evergrande Group). These risks remain ongoing but are now largely discounted in equity prices. More recently, Russian equities have been under pressure stoked by rising geopolitical tensions between Russia and the Ukraine, leading to a sell-off in the domestic market. Given the Company's meaningful overweight in Russia at the end of the six month period, and an escalation in geopolitical tensions the Manager added an approximate -10% short on the Russian Index. The Manager continues to find individual opportunities in Russia but is wary of country risk currently. The introduction of the index short is a prudent risk mitigant. The Board and the Investment Manager will continue to monitor the situation closely.

## Related Party Transactions

During the period under review, there were no transactions with related parties which materially affected the financial position or performance of the Company. Details of related party transactions are contained in the Annual Financial Report for the year ended 30 June 2021 which should be read in conjunction with this Half Year Report.

## Going Concern

The Directors believe that the Company has adequate resources to continue in operational existence and meet its financial commitments as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

In considering this, the Directors took into account the Company's investment objective, risk management, the diversified portfolio of readily realisable securities which can be used to meet short term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses.

As a result of the ongoing Covid-19 pandemic, the Directors continue to pay particular attention to the operational resilience and ongoing viability of the Investment Manager and the Company's other key service providers. Following review, the Directors are satisfied that Fidelity and the Company's other key service providers have the necessary contingency plans in place to ensure that operational functionality continues to be maintained during the pandemic.

The Company has committed to hold a continuation vote in 2026 and every five years thereafter. In addition, the Company has committed to make a tender offer of up to 25% of the Participating Preference Shares in issue if the Company’s NAV Total Return over the five years ending 30 September 2026 does not exceed the MSCI Emerging Markets Index over that period.

Responsibility Statement

In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules, the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the Half Year Report has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and gives a true and fairview of the assets, liabilities, financial position and return of the Company;

- the Half Year Report includes a fair review of the development and performance of the Company and important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- the Half Year Report includes a fair review of the information concerning related party transactions.

For and on behalf of the Board

Hélène Ploix

Chairman

1 March 2022

# Statement of Financial Position

as at 31 December 2021

	Note	31 December 2021 unaudited \$'000	30 June 2021 audited \$'000
<b>Non-current assets</b>			
Investments	4	1,108,992	1,679,935
<b>Current assets</b>			
Derivative assets	4	7,668	-
Debtors		2,107	2,275
Amounts due from brokers		158	379
Cash and cash equivalents		40,086	26,926
		50,019	29,580
<b>Current liabilities</b>			
Derivative liabilities	4	16,241	-
Amounts due to brokers		1,148	-
Capital gains tax payable		-	7,688
Other creditors		7,594	2,752
		24,983	10,440
<b>Net current assets</b>		<b>25,036</b>	<b>19,140</b>
<b>Net assets</b>		<b>1,134,028</b>	<b>1,699,075</b>
<b>Equity</b>			
Share premium account		6,291	6,291
Capital reserve		1,091,257	1,642,118
Revenue reserve		36,480	50,666
<b>Total equity</b>		<b>1,134,028</b>	<b>1,699,075</b>
<b>Net asset value per Participating Preference Share</b>		<b>\$12.45</b>	<b>\$13.99</b>

The notes on pages 27 to 32 form part of these unaudited financial statements.

# Income Statement

for the six months ended 31 December 2021 and 31 December 2020

	Note	Six months ended 31 December 2021 unaudited		
		Revenue \$'000	Capital \$'000	Total \$'000
<b>Income and losses</b>				
Net losses on investments	4	-	(182,894)	(182,894)
Net gains on derivative instruments	4	-	24,121	24,121
Net foreign exchange losses		-	(2,478)	(2,478)
Dividend income		12,283	-	12,283
Long CFD dividend income		1,096	-	1,096
CFD interest income		51	-	51
Other derivative income		219	-	219
Securities lending income		38	-	38
Interest income		80	-	80
<b>Total income and losses</b>		<b>13,767</b>	<b>(161,251)</b>	<b>(147,484)</b>
<b>Expenses</b>				
Management fees <sup>1</sup>		(927)	(3,709)	(4,636)
Custodian fees		(466)	-	(466)
Transaction costs	5	-	(3,810)	(3,810)
Directors' fees and expenses		(103)	-	(103)
Administration fees		(158)	-	(158)
Audit fees <sup>2</sup>		(104)	-	(104)
Legal and professional fees		(90)	(1,345)	(1,435)
Other expenses		(249)	-	(249)
<b>Total operating expenses</b>		<b>(2,097)</b>	<b>(8,864)</b>	<b>(10,961)</b>
<b>Profit/(loss) before finance costs and taxation</b>		<b>11,670</b>	<b>(170,115)</b>	<b>(158,445)</b>
<b>Finance costs</b>				
Bank charges		(11)	-	(11)
Short CFD dividend expense		(6,530)	-	(6,530)
CFD interest expenses		(1,360)	-	(1,360)
<b>Total finance costs</b>		<b>(7,901)</b>	<b>-</b>	<b>(7,901)</b>
<b>Profit/(loss) before taxation</b>		<b>3,769</b>	<b>(170,115)</b>	<b>(166,346)</b>
<b>Taxation</b>				
Capital gains tax		-	7,688	7,688
Withholding taxes		(1,557)	-	(1,557)
<b>Total taxation</b>		<b>(1,557)</b>	<b>7,688</b>	<b>6,131</b>
<b>Profit/(loss) after taxation for the period attributable to Participating Preference Shares</b>		<b>2,212</b>	<b>(162,427)</b>	<b>(160,215)</b>
<b>Earnings/(loss) per Participating Preference Share (basic and diluted)<sup>3</sup></b>		<b>\$0.02</b>	<b>(\$1.49)</b>	<b>(\$1.47)</b>

1 Please see information on ongoing charges ratio as presented on page 35.

2 The increase in audit fees for the six months period ended 31 December 2021 is driven by the under-accrual of audit fees for the prior year as well as additional audit procedures related to the change of the Investment Manager.

3 The Earnings per Participating Preference Share for the six months period to 31 December 2021 were calculated on an average number of 109,254,064 Participating Preference Shares.

The Company does not have any other comprehensive income. Accordingly the profit/(loss) on ordinary activities after taxation for the period is also the total comprehensive income for the period and no separate Statement of Comprehensive Income has been presented.

No operations were acquired or discontinued in the period and all items in the above statement derive from continuing operations.

The notes on pages 27 to 32 form part of these unaudited financial statements.

## Income Statement continued

for the six months ended 31 December 2021 and 31 December 2020

	Note	Six months ended 31 December 2020		
		unaudited		
		Revenue \$'000	Capital \$'000	Total \$'000
<b>Income and gains</b>				
Net gains on investments	4	-	393,186	393,186
Net gains on derivative instruments	4	-	-	-
Net foreign exchange losses		-	(431)	(431)
Dividend income		13,255	-	13,255
Long CFD dividend income		-	-	-
CFD interest income		-	-	-
Other derivative income		-	-	-
Securities lending income		-	-	-
Interest income		32	-	32
<b>Total income and gains</b>		<b>13,287</b>	<b>392,755</b>	<b>406,042</b>
<b>Expenses</b>				
Management fees <sup>1</sup>		(1,273)	(5,093)	(6,366)
Custodian fees		(466)	-	(466)
Transaction costs	5	-	(588)	(588)
Directors' fees and expenses		(153)	-	(153)
Administration fees		(157)	-	(157)
Audit fees <sup>2</sup>		(24)	-	(24)
Legal and professional fees		(60)	-	(60)
Other expenses		(124)	-	(124)
<b>Total operating expenses</b>		<b>(2,257)</b>	<b>(5,681)</b>	<b>(7,938)</b>
<b>Profit before finance costs and taxation</b>		<b>11,030</b>	<b>387,074</b>	<b>398,104</b>
<b>Finance costs</b>				
Bank charges		-	-	-
Short CFD dividend expense		-	-	-
CFD interest expenses		-	-	-
<b>Total finance costs</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit before taxation</b>		<b>11,030</b>	<b>387,074</b>	<b>398,104</b>
<b>Taxation</b>				
Capital gains tax		-	(4,901)	(4,901)
Withholding taxes		(1,769)	-	(1,769)
<b>Total taxation</b>		<b>(1,769)</b>	<b>(4,901)</b>	<b>(6,670)</b>
<b>Profit after taxation for the period attributable to Participating Preference Shares</b>				
		9,261	382,173	391,434
<b>Earnings per Participating Preference Share (basic and diluted)<sup>3</sup></b>				
		\$0.07	\$3.15	\$3.22

<sup>1</sup> Please see information on ongoing charges ratio as presented on page 35.

<sup>2</sup> The increase in audit fees for the six months period ended 31 December 2021 is driven by the under-accrual of audit fees for the prior year as well as additional audit procedures related to the change of the Investment Manager.

<sup>3</sup> The Earnings per Participating Preference Share for the six months period to 31 December 2020 were calculated on an average number of 121,466,754 Participating Preference Shares.

The notes on pages 27 to 32 form part of these unaudited financial statements.



# Statement of Changes in Equity

for the six months ended 31 December 2021

	Note	Share premium account \$'000	Capital reserve \$'000	Revenue reserve \$'000	Total Equity \$'000
<b>Six months ended 31 December 2021 (unaudited)</b>					
<b>Total equity at 30 June 2021</b>		<b>6,291</b>	<b>1,642,118</b>	<b>50,666</b>	<b>1,699,075</b>
(Loss)/profit after taxation for the period		-	(162,427)	2,212	(160,215)
Write off receivable for shares		-	(134)	-	(134)
Repurchase and cancellation of the Company's own shares	7	-	(388,300)	-	(388,300)
Dividend paid to shareholders	6	-	-	(16,398)	(16,398)
<b>Total equity at 31 December 2021</b>		<b>6,291</b>	<b>1,091,257</b>	<b>36,480</b>	<b>1,134,028</b>
<b>Six months ended 31 December 2020 (unaudited)</b>					
<b>Total equity at 30 June 2020</b>		<b>6,291</b>	<b>1,178,583</b>	<b>50,880</b>	<b>1,235,754</b>
Profit after taxation for the period		-	382,173	9,261	391,434
Dividend paid to shareholders	6	-	-	(20,649)	(20,649)
<b>Total equity at 31 December 2020</b>		<b>6,291</b>	<b>1,560,756</b>	<b>39,492</b>	<b>1,606,539</b>

The notes on pages 27 to 32 form part of these unaudited financial statements.

# Statement of Cash Flows

for the six months ended 31 December 2021

	31 December 2021 unaudited \$'000	31 December 2020 unaudited \$'000
<b>Operating activities</b>		
Dividend and interest income received	15,422	13,904
Derivative income received	929	-
Securities lending income received	38	-
Taxation paid	(1,557)	(1,769)
Purchase of investments	(1,217,956)	(145,928)
Proceeds from sale of investments	1,604,773	169,955
Net proceeds from the settlement of derivatives	32,121	-
Bank charges	(11)	-
CFD interest expenses paid	(1,061)	-
Operating expenses paid	(12,362)	(7,826)
<b>Net cash inflow from operating activities</b>	<b>420,336</b>	<b>28,336</b>
<b>Financing activities</b>		
Dividend paid	(16,398)	(20,649)
Repurchase and cancellation of the Company's own shares	(388,300)	-
<b>Net cash outflow from financing activities</b>	<b>(404,698)</b>	<b>(20,649)</b>
Effect of exchange losses on cash and cash equivalents	(2,478)	(431)
<b>Net increase in cash and cash equivalents</b>	<b>13,160</b>	<b>7,256</b>
Net cash and cash equivalents at the beginning of the period	26,926	16,530
<b>Net cash and cash equivalents at the end of the period</b>	<b>40,086</b>	<b>23,786</b>
<b>Comprising:</b>		
Cash at bank	22,435	23,786
Amounts held at futures clearing houses and brokers	17,651	-
	<b>40,086</b>	<b>23,786</b>

The notes on pages 27 to 32 form part of these unaudited financial statements.

# Notes to the Financial Statements

for the six months ended 31 December 2021

## 1. Principal Activity

Fidelity Emerging Markets Limited (formerly Genesis Emerging Markets Fund Limited) (the 'Company') was incorporated in Guernsey on 7 June 1989 and commenced activities on 19 September 1989. The Company is an Authorised Closed-Ended Investment Scheme as defined by the Authorised Closed-Ended Investment Schemes Rules (2008) (and, as such, is subject to ongoing supervision by the Guernsey Financial Services Commission). The Company is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

The Company's registered office is at 1st Floor, Les Echelons Court, Les Echelons, South Esplanade, St. Peter Port, Guernsey, GY1 6JB, Channel Islands.

## 2. Publication of Non-statutory Accounts

The interim financial statements in this Half Year Report have not been audited by the Company's Independent Auditor. The financial information for the year ended 30 June 2021 is extracted from the latest published Annual Report of the Company which was delivered to the Guernsey Financial Services Commission.

## 3. Accounting Policies

### (i) Basis of Preparation

The interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Accounting Standards 34, 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2021, which have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the IFRS Interpretations Committee and interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect and the Companies (Guernsey) Law, 2008.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

### (ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements. This conclusion also takes into account the Board's assessment of the continuing risks arising from Covid-19.

# Notes to the Financial Statements continued

## 3. Accounting Policies continued

### (iii) Significant Accounting Policies

The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 June 2021 except for newly adopted accounting policies relevant to derivative financial instruments, as set out below.

#### Income from Derivatives

Derivative instrument income received from dividends on long (or payable from short) contracts for difference ("CFDs") are accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited (or charged) to the revenue column of the Income Statement.

Interest received on CFDs, collateral and bank deposits are accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represent the finance costs calculated by reference to the notional value of the CFDs.

#### Finance Costs

Finance costs comprise bank charges and finance costs paid on CFDs, which are accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are charged in full to the revenue column of the Income Statement.

#### Derivative Instruments

When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs, futures and options. Derivatives are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract;
- Futures – the difference between the contract price and the quoted trade price; and
- Options – valued based on similar instruments or the quoted trade price for the contract.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included in gains on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the reporting date are reflected on the Statement of Financial Position at their fair value within current assets or current liabilities.

#### 4. Financial Assets and Financial Liabilities held at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss:

	<b>31 December 2021 unaudited \$'000</b>	30 June 2021 audited \$'000
Listed securities	1,102,537	1,671,165
Unlisted securities	6,455	8,770
Derivative instruments – CFDs	7,668	–
<b>Total financial assets at fair value through profit or loss:</b>	<b>1,116,660</b>	<b>1,679,935</b>

Financial liabilities at fair value through profit or loss:

	<b>31 December 2021 unaudited \$'000</b>	30 June 2021 audited \$'000
Derivative instruments – Futures contracts	256	–
Derivative instruments – Options	564	–
Derivative instruments – CFDs	15,421	–
<b>Total financial liabilities at fair value through profit or loss:</b>	<b>16,241</b>	<b>–</b>

Net changes in financial assets and financial liabilities at fair value through profit or loss:

	<b>31 December 2021 unaudited \$'000</b>	31 December 2020 unaudited \$'000
Net realised gains on investments	176,994	33,945
Net realised gains on derivatives	32,695	–
Net realised gains on financial assets and financial liabilities at fair value through profit or loss:	209,689	33,945
Net change in unrealised (losses)/gains on investments	(359,888)	359,241
Net change in unrealised gains on derivatives	(8,574)	–
Net unrealised change in financial assets and financial liabilities at fair value through profit or loss:	(368,462)	359,241
Net change in financial assets and financial liabilities at fair value through profit or loss:	(158,773)	393,186

## Notes to the Financial Statements continued

### 4. Financial Assets and Financial Liabilities held at Fair Value through Profit or Loss continued

#### Fair Value Hierarchy

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of unobservable inputs. The following table summarises the valuation of the Company's securities using the fair value hierarchy:

Classification	Input
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets
<b>Level 2</b>	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
<b>Level 3</b>	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2021 (unaudited)</b>				
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,102,537	-	-	1,102,537
Investee funds	-	-	6,455	6,455
Derivative instrument assets – CFDs	-	7,668	-	7,668
	1,102,537	7,668	6,455	1,116,660
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities – Futures contracts	(256)	-	-	(256)
Derivative instrument liabilities – Options	-	(564)	-	(564)
Derivative instrument liabilities – CFDs	-	(15,421)	-	(15,421)
	(256)	(15,985)	-	(16,241)

#### 4. Financial Assets and Financial Liabilities held at Fair Value through Profit or Loss *continued*

<b>30 June 2021 (audited)</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Level 3 \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,638,420	32,745	-	1,671,165
Investee funds	-	-	8,770	8,770
	1,638,420	32,745	8,770	1,679,935

As at 31 December 2021 there were five holdings (30 June 2021: five holdings) classified as Level 3 investments. Four holdings (30 June 2021: two holdings) in investee funds were valued using the most recently available valuation statements as received from the respective general partner/manager/administrator, updated to include subsequent cash flows. One holding (30 June 2021: three holdings) had a nil value.

As the key input into the valuation of Level 3 investments is official valuation statements from the investee funds, we do not consider it appropriate to put forward a sensitivity analysis on the basis that insufficient value is likely to be derived by the end users.

The following table summarises the change in value associated with Level 3 financial instruments carried at fair value for the six months ended 31 December 2021 and the year ended 30 June 2021:

	<b>31 December 2021 unaudited \$'000</b>	<b>30 June 2021 audited \$'000</b>
Opening balance	<b>8,770</b>	9,500
Return of capital	<b>(2,601)</b>	(1,338)
Realised (loss)/gain	<b>(150)</b>	869
Net change in unrealised gain/(loss)	<b>436</b>	(261)
Closing balance	<b>6,455</b>	8,770

## Notes to the Financial Statements continued

### 5. Transaction costs

During the period, expenses were incurred in acquiring or disposing of investments.

	<b>31 December 2021 unaudited \$'000</b>	31 December 2020 unaudited \$'000
Acquiring	<b>1,498</b>	310
Disposing	<b>2,312</b>	278
	<b>3,810</b>	588

Transaction costs incurred during the six months reporting period are higher as compared to the equivalent six months period in the prior financial year due to the rebalancing of the investment portfolio following the change of Investment Manager to Fidelity.

### 6. Dividend

	<b>31 December 2021 unaudited \$'000</b>	31 December 2020 unaudited \$'000
<b>Dividend Paid</b>		
2021 final dividend of 18.0c (2020: 17.0c) per Participating Preference Share	<b>16,398</b>	20,649

No dividend has been declared in respect of the six months ended 31 December 2021 (six months ended 31 December 2020: none).

### 7. Share capital

On 6 September 2021, the Company launched a tender offer to buy back up to 25% of its issued share capital. As a result of the tender offer, on 22 October 2021, the Company repurchased 30,366,688 Participating Preference Shares for cancellation. The resultant number of shares in issue is 91,100,066 Participating Preference Shares.

The costs associated with the cancellation of the shares of \$388,300,000 were charged to the capital reserve.



## Additional Information

### Registered Office

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

### Website

[www.fidelity.co.uk/emergingmarkets](http://www.fidelity.co.uk/emergingmarkets)

### Alternative Investment Fund Manager

(from 4 October 2021)  
FIL Investment Services (UK) Limited  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RP

### Investment Manager (to 4 October 2021)

Genesis Investment Management, LLP  
16 St James Street  
London SW1A 1ER  
United Kingdom  
(Authorised and regulated by the United Kingdom's Financial Conduct Authority)  
[www.giml.co.uk](http://www.giml.co.uk)

### Investment Manager (from 4 October 2021)

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RP

### Custodian

JP Morgan Chase Bank  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom  
(Authorised and regulated by the United Kingdom's Financial Conduct Authority)

### Administrator and Company Secretary

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

### Registrar

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

### Stockbrokers

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

Jefferies International Limited  
100 Bishopsgate  
London EC2N 4JL  
United Kingdom

### Independent Auditor

KPMG Channel Islands Limited  
Glategny Court  
Glategny Esplanade  
St. Peter Port  
Guernsey GY1 1WR

# Glossary of Terms

(including Alternative Performance Measures)

## Active Share\*

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

## Alternative Performance Measures

The European Securities and Markets Authority ('ESMA') has published guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.' The guidelines are aimed at promoting the usefulness and transparency of APMs included in regulated information and aim to improve comparability, reliability and/or comprehensibility of APMs. The following definitions shown with a \* are the APMs that are used throughout this Annual Financial Report, Half Year Report, Financial Statements and Notes to the Financial Statements.

## Discount/premium\*

The discount or premium is a measure showing the relationship between the share price and the NAV per Participating Preference Share, which is expressed as a percentage of the NAV per Participating Preference Share. If the share price is lower than the NAV per Participating Preference Share, the shares are said to be trading at a discount. If the share price is higher than the NAV per Participating Preference Share, the shares are said to be trading at a premium.

As at 31 December 2021, the discount was 10.66% (30 June 2021: 9.28%).

## Gross Asset Exposure

The total market exposure of the Company's portfolio, whether through direct or indirect investment. It is calculated as: (Long Exposure + Short Exposure) - Hedges.

## Gross Gearing

Gross Asset Exposure less Equity Shareholders' Funds expressed as a percentage of Equity Shareholders' Funds.

## Hedges

Short positions that demonstrate risk-reduction qualities by offsetting long positions held by the Company which have regional congruence and a correlation of at least 80% to the Long Exposure of the Company.

## Long Exposure

The value of the Company's direct and indirect investments in long positions (including the economic value of the exposure to the reference asset of any derivative instrument).

\* Alternative Performance Measure

### Net Asset Value per Participating Preference Share\*

Net Assets are the value of the Company's assets less its liabilities.

Net Asset Value ('NAV') per Participating Preference Share is the Net Assets divided by the number of Participating Preference Shares in issue.

As at 31 December 2021, the NAV per Participating Preference Share was £9.19 or \$12.45 (30 June 2021: £10.13 or \$13.99).

### Net Asset Value per Participating Preference Share Total Return\*

NAV per Participating Preference Share Total Return is a measure showing how the NAV per Participating Preference Share has performed over a period of time, taking into account dividends paid to shareholders. Total Return measures allow shareholders to compare performance between investment funds where the dividend paid may differ.

To calculate Total Return, it is assumed that dividends are reinvested into the assets of the Company at the prevailing NAV on the last day of the month that the shares first trade ex-dividend.

### Net Gearing

Net Market Exposure less Equity Shareholders' Funds expressed as a percentage of Equity Shareholders' Funds

### Net Market Exposure

Net positive market exposure of the Company's portfolio, whether through direct or indirect investment, with short and hedge positions subtracted from long positions. It is calculated as (Long Exposure - Hedges) - Short Exposure.

### Ongoing charges ratio\*

The ongoing charges ratio is a measure used to estimate the expenses likely to occur in the foreseeable future. It is calculated by dividing the annualised ongoing charges (total operating expenses excluding transaction costs and one-off charges) by the average month end net asset values of the Company for the year under review and has been prepared in accordance with the AIC's recommended methodology.

The change in the ongoing charges ratio for the reporting period is driven by the change of Manager from 4 October 2021. Under the terms of the Investment Management Agreement, the Manager has waived its entitlement to receive a Management Fee for a period of nine months from its date of appointment.

### Share Price

The Share Price taken is the closing price. This is the price at which the Company's shares trade on the London Stock Exchange at the end of trading on a business day.

\* Alternative Performance Measure

## Glossary of Terms continued

### **Share Price Total Return\***

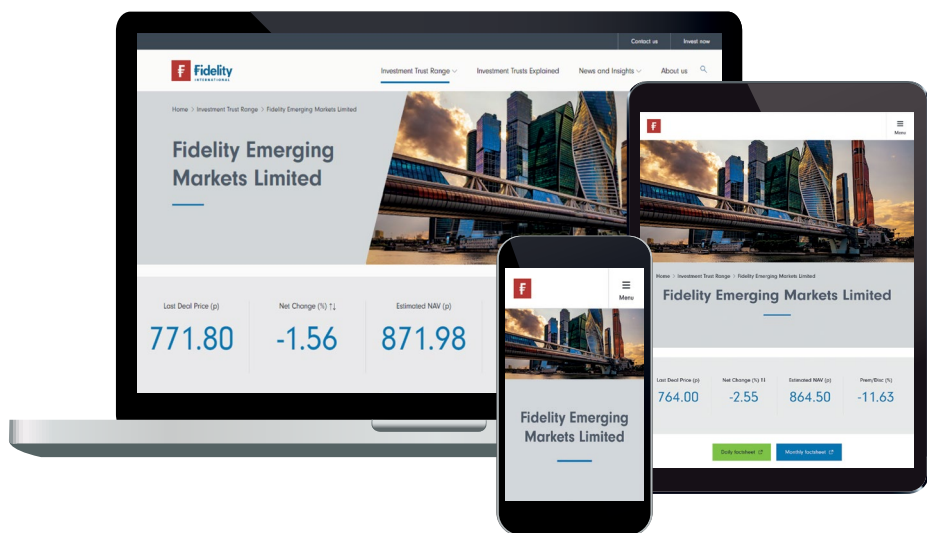
Share Price Total Return is a measure showing how the Share Price has performed over a period of time, taking into account dividends paid to shareholders. Total Return measures allow shareholders to compare performance between investment funds where the dividend paid may differ.

To calculate Total Return, it is assumed that dividends are reinvested into the shares of the Company at the prevailing Share Price on the last day of the month that the shares first trade ex-dividend.

### **Short Exposure**

The value of the Company's direct and indirect investments in short positions (including the economic value of the exposure to the reference asset of any derivative instrument), excluding Hedges.

\* Alternative Performance Measure



To find out more about Fidelity Emerging Markets Limited, visit our website at [www.fidelity.co.uk/emergingmarkets](http://www.fidelity.co.uk/emergingmarkets) where you can read articles and watch videos on the Company.



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