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MARLBOROUGH EMERGING MARKETS TRUST

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 10 March 2020

MARLBOROUGH EMERGING MARKETS TRUST

CONTACT INFORMATION

Authorised Fund Manager and Registrar

Marlborough Fund Managers Ltd
Marlborough House
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Bolton
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Auditor

Ernst & Young LLP
Atria One
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Edinburgh
EH3 8EX

Directors of Marlborough Fund Managers Ltd

Andrew Staley
Nicholas F J Cooling
Allan Hamer
Wayne D Green
Dom Clarke
Geoffrey Hitchin
Helen Derbyshire
Richard Goodall
Guy Sears*
David Kiddie*
Sarah Peaston* (appointed 1 October 2019)

* Non-executive director.

MARLBOROUGH EMERGING MARKETS TRUST

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MARLBOROUGH EMERGING MARKETS TRUST

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 10 March 2020

Percentage change and sector position to 10 March 2020

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
Marlborough Emerging Markets Trust	-12.72%	-6.85%	-8.71%	28.69%
IA Global Emerging Markets	-9.75%	-3.51%	2.28%	30.01%
Quartile Ranking*	3	3	4	2

* Based on ranking within The Investment Association Global Emerging Markets sector.

External Source of Economic Data: Morningstar (P - mid to mid, net income reinvested).

At the start of this year, Emerging Market (EM) performance was improving and had been gaining momentum at the end of 2019. The pressure from the trade war was easing and trade was also improving. However, this momentum ground to a halt in January when COVID19 hit China and subsequently the rest of the world. The global stock markets were in turmoil due to three major factors. The direct impact from the virus; the measures that countries took to prevent the virus from spreading further; and the uncertainty over the extent of damage it would cause to the global economy. Sentiment turned negative quite dramatically as uncertainties increased and this has wiped out the gains we had in the last calendar year. The Morningstar Open Project Emerging Market TR Index (MEMM Index) fell 4% this year, after gaining 8.5% in the first 9 months. The Fund contracted by 4.8% for the year ending 10 March after a 64bps outperformance vs the MEMM Index between March and December 2019.

China is slowly lifting the movement restrictions since the end of February. At the time of writing, most of major industries have resumed their production. However, the shock wave of the virus disruption continues to reverberate through the rest of the world. The implication on some countries' economies will be profound. Some economies were already fragile, and the valuation of their stock markets was already rich before COVID19. Others, however, are better equipped to weather the storm and value in the markets has started emerging.

Governments have launched stimulus packages to support the economies and central banks continue to maintain accommodative policies. Markets rallied since March and they almost recovered back to their pre-COVID19 highs. It seems that markets are ignoring the macro economic data, such as deterioration in the labour market and decline in private consumption, that indicate the world is possibly entering into one of its biggest recessions in history.

The best performing region was Asia (ex-Japan). This was led by strong performance in Taiwan (18%) and China (4%). Taiwan is one of the key beneficiaries from 5G development and the increased demand in automation and other semiconductor products. In addition, Taiwan has been very effective in handling the COVID19 crisis and has managed to prevent the virus from becoming a full-blown outbreak. In addition, President Tsai won a land-slide victory for a second term in the office and this has removed political uncertainty. Our holdings in King Yuan Electronics (a beneficiary of 5G), TSMC (semiconductors) and Hiwin Technologies (automation) have gained 46%, 45% and 23% respectively.

The Morningstar China Index gained 4% this financial year, outperforming the EM market by 8 percentage points. The country was in a nationwide shutdown since Chinese New Year in January and the shutdown has slowly been lifted since end of February. The draconian measures implemented during this period have so far proven to be effective in controlling the spread of COVID19 within the country. However, these strict measures came with a high price. Production lines were shut, transportation in all forms were at a standstill or limited at the best, restaurants and shops were closed and people were required to remain in their homes. The PMI reading for February dropped to an all-time low at 28, indicating a severe contraction. The closures have put the most pressure on small and medium enterprises, which are the key pillar for the labour market. These companies just don't have ample cash reserves, as opposed to big State-Owned Enterprises, to sustain themselves when the country is in a complete lock down. In addition, as all production grinds to a halt, demand for commodities has been slashed, cutting demand for (for example) oil by 20%. The government has implemented measures to cushion the blow, lower benchmark rates, extend loans, waiver fees to the government from certain industries such as aviation, etc. It is expected that these stimulus measures which have already been implemented and measures yet to come will take the country out of this crisis, despite its existing debt issues and an already strained fiscal position. These expectations explained the market's outperformance despite the virus shock. Our holdings in Longfor Property, Sunny Optical and Alibaba gained 60%, 40% and 18% respectively. At the time of writing, it has been reported that production has largely resumed. However, the key question is whether the demand shock caused by the virus will recover.

All other Asian nations have also been impacted and many countries have implemented gigantic stimulus packages to cushion the fall. For example, Singapore has launched two stimulus packages worth a total of \$3.86bn: 40% bigger than the one they launched in 2009 to save the economy from the Great Financial Crisis. The Philippines, which had much stronger economic growth momentum than elsewhere before COVID19, has granted President Duterte executive power to control its \$80bn 2020 budget in order to tackle the impact.

We remain relatively positive on Asia in comparison to the rest of Emerging Markets given their relatively resilient economic infrastructure and relatively stable politics, albeit with some outliers.

MARLBOROUGH EMERGING MARKETS TRUST

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 10 March 2020

Emerging Europe was the second-best performing region this financial year. The performance was led by Greece, Russia and Turkey. As the world enters yet another cycle of low and even negative rates, the Russian equity market has proved to be attractive for investors seeking higher dividend yield. This explains much of its outperformance last year. In addition, Russia is one of the few countries globally that is still in fiscal surplus. The country's major political reshuffle has secured Mr Putin's political power for the foreseeable future. It should not, however, change its key economic policies. It was confirmed by the new Prime Minister that the country will remain fiscally disciplined and the previously announced stimulus remains on the table. Our holding in JPM Russia gained 11%. The oil price war in April did cast a shadow on Russia's ability to handle COVID19 crisis. However, the OPEC Plus eventually reached new agreement and the Brent Oil Price recovered. Nonetheless, COVID19 could still potentially divert or delay initially planned infrastructure spending.

In Turkey, economic readings, especially construction and the housing index, started to pick up strongly after the central bank cut its benchmark rates. It had a particularly positive impact on the new economy segment (eCommerce, Tech, etc). Our holding in Logo, which provides software for enterprises and government, gained 56% and was the best performing position during this period in our portfolio. However, COVID19's impact is reverting some of these gains in the economy. Turkey's economic fundamentals remain fragile despite a strong pick up last year. The Turkish Lira remains the country's Achilles' heel.

The refugee crisis and increased tension in Syria have increased uncertainties in Emerging Europe, especially in Russia and Turkey. The virus break-out will put further strain in the region, although countries in Eastern Europe, such as Poland and Czech Republic, could be beneficiaries of the EU's stimulus. These measures could cushion some of the blow for these economies, which have strong ties with developed Europe. However, in Poland, the clash between its ruling Law and Justice Party and the European Court of Justice could introduce further uncertainty into Poland's economy.

The Middle East and Africa was the second worst performing region, declining over 15%. The Middle East region was actually the second-best performing region in the first half this financial year given a stable oil price and strong reform momentum at that time. However, the COVID19 outbreak has put intense pressure on the oil price given reduced demand in the commodity. In addition, Russia and Saudi Arabia started an oil price war in February after the OPEC+ talks broke down and it pushed down Brent crude to its lowest level (\$20 per barrel as at 1st April) since the Great Financial Crisis in 2008. In Saudi Arabia, a sustained low oil price will put further strain on an already stretched fiscal balance. This will have significant implications for the country's reform agenda. The oil price did recover after OPEC Plus reached a new agreement and this should provide some support to the economy. In addition, we had been seeing increased infrastructure spending before COVID19 hit the world. In addition, it is expected that Kuwait will join the MSCI Global Emerging Market Index, which would bring passive flows into the region. Our holding in Gulf Investment Trust gained 4.8% during this period.

The Morningstar South Africa Index declined by over 15%. It is likely that South Africa will face increased challenges in its already weak economy as COVID 19 hits. The demand shock caused by the virus will have a direct impact on its mining industries, which was already hit by low commodity prices even before the virus. The unemployment rate hit 29% in 2019 and the fiscal position is in such a poor condition that the country was downgraded to "junk" status by Moody's. In the second quarter in 2019, the ANC won the election but lost its majority in the parliament reflecting general frustration with its capability of reviving the country's economy. On the positive side, the new economy, e.g. digital and online commerce, is still generating some return especially for those with overseas exposure. Our holding in Naspers returned over 7% principally due to its overseas exposure.

Latin America (Latam) was the worst performer this year led by Chile (-37%) and Argentina (-35%). Many of the countries in Latam were still slowly recovering from the taper tantrum back in 2015. Many of these countries will not be able to afford a big stimulus to cushion the impact, both direct and indirect, of the virus given their already limited fiscal headroom.

Argentina's debt problem remains a hindrance for its economic recovery. The market lost almost 40% of its value in August last year when Fernandez-Fernandez was leading in the primary. The team subsequently won the election and the country has gone in another round of debt-restructuring. The Argentinian Peso lost almost 47% of its value against the USD in this financial year. We remain negative in the country – the more so when COVID19 will surely slow down its economic recovery still further.

Chile experienced one of the biggest and longest nationwide protests in its history. President Sebastián Piñera promised constitutional change in order to calm the population. However, the process itself will take at least 2 years if not longer and uncertainties remain as to what the changes will do to the population and the country. On the positive side, Chile has always been one of the better managed economies in Latam and is praised for its fiscal prudence. Despite the economic damage caused by the protests, the government is still able to support its economy with sizeable stimulus packages. The government has announced another stimulus package that is worth \$11.75bn - the biggest in Chile's history - to cushion the virus impact.

The longer-term outlook for Latam will be challenging given continued disruption to the global trade and increased pressure on commodities, both from the demand shock caused by the virus and increased ESG (Environment, Social and Governance) requirements from investors. We remain cautious.

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for the year ended 10 March 2020

Before the virus hit the world, macro readings were already weak. In our interim report, we highlighted that PMI readings were already indicating a continued contraction in many regions (with few exceptions, such as Philippines and Vietnam) and trade remained under pressure. This was largely due to soft economic fundamentals and pressure from the trade war. Many countries had already launched fiscal expansionary policies back then, e.g. tax cut in India and Indonesia. We also highlighted that some countries, such as Thailand and Brazil, were beneficiaries of trade war. Thailand benefits from the manufacturing diaspora away from China. Brazil benefited from increased exports to China. These benefits had started to be reflected in these countries' data at the end of 2019. In Thailand, despite the challenges in its tourism industry and exports due to its strong currency back in 2019, we have seen an increase in employment in manufacturing and construction industries. However, COVID19 has put this progress on hold.

Political stability during this trying period is paramount. In the first half of this financial year, we have seen protests breaking out in so many regions, from Hong Kong, to Chile and Iran. The tension in the South China sea was rising. The Korea–Japan friction was escalating. As COVID19 started to spread, some of these issues have calmed down and even been side-lined. The US and China relationship, however, remains very fragile. At the time of writing, tension is also escalating in the Korean Peninsula.

What does this all mean for the Emerging Markets as an investment asset class? The coming months and quarters will surely be a difficult period despite current markets exuberance. However, this is not just applicable to the EM but also other developed economies. Some developed economies do have relatively more resources. But Emerging Markets are generally more flexible and adaptable. Companies in these regions are well-accustomed to dealing with diseases, wars, conflicts and challenging governments and many have large, youthful populations to support domestic demand. This terrible time will pass and when it does, we believe that EM markets will remain important as both an asset class and an integral part of the global supply chain.

Marlborough Fund Managers Ltd
22 June 2020

Distributions (pence per unit)

	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>A Income</u>				
Net income paid 10 May	3.1161	3.3831	3.3399	5.0148
<u>B Income</u>				
Net income paid 10 May	4.7750	4.4622	5.4128	6.2915
<u>P Income</u>				
Net income paid 10 May	5.4925	5.7517	5.8787	7.0521

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
HengAn International Group Co Ltd	178,911	Bank of China Ltd 'H'	153,775
PETROBRAS - PETROLEO BRAS-PR	138,373	iShares MSCI South Africa UCITS ETF USD	137,120
Inari Amertron Bhd	116,699	BlackRock Frontiers Investment Trust	134,658
Xinyi Glass Holdings Ltd	113,743	NagaCorp Ltd	131,597
NagaCorp Ltd	106,152	BlackRock Latin American Investment Trust	117,501
51job Inc - ADR	105,168	China Life Insurance Co Ltd 'H'	108,318
Escorts Ltd	100,915	NIIT Technologies Ltd	107,725
Sunny Optical Technology (Group) Co Ltd	90,050	PetroChina Co Ltd 'H'	105,000
Hon Hai Precision Industry Co Ltd	88,450	PICC Property & Casualty Co Ltd 'H'	103,097
Bank Mandiri (Persero) Tbk PT	87,476	Longfor Group Holdings Ltd	99,719
Other purchases	1,192,663	Other sales	1,877,206
Total purchases for the year	2,318,600	Total sales for the year	3,075,716

MARLBOROUGH EMERGING MARKETS TRUST

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

Marlborough Emerging Markets Trust (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

Investment objective and policy

The investment objective of the Fund is to provide capital growth, that is, to increase the value of your investment over a minimum of 10 years. The Fund aims to outperform the average of the IA Global Emerging Markets sector over any 5 year period, however, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in the shares of companies which are incorporated, headquartered, operating in or listed on stock markets in emerging market countries.

Emerging markets are countries progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

This may include up to 10% through Funds (including exchange traded funds which typically track an index) and investment trusts which themselves invest in these countries or which gain exposure through financial instruments whose returns are linked to these markets (also known as derivatives), and other securities whose returns are linked to company performance, such as depositary receipts.

The Fund may also hold money market instruments, a type of short term loan, and money market funds, which themselves invest in these instruments.

The Fund is actively managed which means the Manager decides which investments to buy or sell and when, and will maintain a relatively concentrated portfolio, typically between 60 – 80 holdings in companies of a range of sizes.

The team approaches construction of the portfolio from three overlapping standpoints:

- economic and market conditions in each country and sector;
- a selection of companies which the team believes to be financially strong or whose valuations appear out of line with expectations; and
- companies which fit broader themes, such as, manufacturing automation, which the investment team believes are likely to drive share price returns over the medium term. Themes will change and this can often happen quickly.

The team use the Morningstar Emerging Markets Index as a reference point for portfolio construction and risk management purposes, however, the Fund will not be constrained by the Index.

The Fund may invest in derivatives and forward transactions, whose returns are linked to exchange rates, in order to reduce currency risk or to protect against market movements (also known as hedging) although this is anticipated to be infrequent.

The Fund may hold cash to enable ready settlement of liabilities, for the efficient management of the Fund and in order to meet its objective. This will typically be below 10% but may from time to time exceed this level.

The Fund aims to be in the top half of all funds included in the IA Global Emerging Markets sector.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. The Manager should publish the report in the annual report of the Fund, except where the assessment and report are provided as a composite, that is, with other funds that may have a different year end date. Marlborough Emerging Markets Trust will be assessed and reported on, in a composite report which the Manager will publish by 30 November 2020 on the website. www.marlboroughfunds.com

MARLBOROUGH EMERGING MARKETS TRUST

AUTHORISED STATUS AND GENERAL INFORMATION

Changes in prospectus

Since the last report, the investment objective and policy has been updated, and there has been a change of auditor from Barlow Andrews LLP to Ernst & Young LLP. Details of these changes can be found in the latest Prospectus dated 15 June 2020.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

Remuneration policy

In line with the requirements of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2019 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund				
Senior management	9	741,229	551,303	189,926
Risk takers and other identified staff	5	310,836	288,445	22,391
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.01	906	674	232
Risk takers and other identified staff	0.28	28,952	28,057	895

The total number of staff employed by the AFM was 172 as at 30 September 2019. The total remuneration paid to those staff was £7,294,016, of which £3,707,059 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

MARLBOROUGH EMERGING MARKETS TRUST

DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



ALLAN HAMER
JOINT MANAGING DIRECTOR



WAYNE D GREEN
JOINT MANAGING DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
8 July 2020

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net gains on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

MARLBOROUGH EMERGING MARKETS TRUST

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of Marlborough Emerging Markets Trust ("the Trust") for the period ended 10 March 2020

The Depositary in its capacity of Trustee of Marlborough Emerging Markets Trust must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects, the Trust, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

HSBC BANK PLC

LONDON

8 July 2020

MARLBOROUGH EMERGING MARKETS TRUST

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH EMERGING MARKETS TRUST

Opinion

We have audited the financial statements of Marlborough Emerging Markets Trust ("the Fund") for the year ended 10 March 2020 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies and risk profile, the related notes and the Distribution Tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 10 March 2020 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for the period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

MARLBOROUGH EMERGING MARKETS TRUST

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH EMERGING MARKETS TRUST

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

8 July 2020

Notes:

1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MARLBOROUGH EMERGING MARKETS TRUST

COMPARATIVE TABLE

A Income units

Change in net assets per unit	Year to 10.03.2020 pence	Year to 10.03.2019 pence	Year to 10.03.2018 pence
Opening net asset value per unit	300.64	343.75	317.97
Return before operating charges*	(17.31)	(33.81)	35.58
Operating charges	(5.99)	(5.92)	(6.46)
Return after operating charges*	(23.30)	(39.73)	29.12
Distributions on income units	(3.12)	(3.38)	(3.34)
Closing net asset value per unit	274.22	300.64	343.75

* after direct transaction costs of: 0.44 0.32 0.54

Performance

Return after charges -7.75% -11.56% 9.16%

Other information

Closing net asset value	£1,083,325	£1,087,876	£1,339,034
Closing number of units	395,060	361,848	389,532
Operating charges	1.90%	1.89%	1.95%
Direct transaction costs	0.14%	0.10%	0.16%

Prices

Highest unit price	338.88p	349.10p	359.85p
Lowest unit price	276.51p	277.86p	305.09p

B Income units

Change in net assets per unit	Year to 10.03.2020 pence	Year to 10.03.2019 pence	Year to 10.03.2018 pence
Opening net asset value per unit	301.01	344.13	318.26
Return before operating charges*	(16.89)	(34.30)	36.10
Operating charges	(4.49)	(4.36)	(4.82)
Return after operating charges*	(21.38)	(38.66)	31.28
Distributions on income units	(4.78)	(4.46)	(5.41)
Closing net asset value per unit	274.85	301.01	344.13

* after direct transaction costs of: 0.44 0.32 0.54

Performance

Return after charges -7.10% -11.23% 9.83%

Other information

Closing net asset value	£2,749	£955	£974
Closing number of units	1,000	317	283
Operating charges	1.40%	1.39%	1.45%
Direct transaction costs	0.14%	0.10%	0.16%

Prices

Highest unit price	341.45p	349.58p	362.28p
Lowest unit price	278.79p	278.80p	305.55p

MARLBOROUGH EMERGING MARKETS TRUST

COMPARATIVE TABLE

P Income units	Year to 10.03.2020 pence	Year to 10.03.2019 pence	Year to 10.03.2018 pence
Change in net assets per unit			
Opening net asset value per unit	300.75	343.93	318.01
Return before operating charges*	(17.55)	(33.84)	35.79
Operating charges	(3.65)	(3.59)	(3.99)
Return after operating charges*	(21.20)	(37.43)	31.80
Distributions on income units	(5.49)	(5.75)	(5.88)
Closing net asset value per unit	274.06	300.75	343.93
* after direct transaction costs of:	0.44	0.32	0.54
Performance			
Return after charges	-7.05%	-10.88%	10.00%
Other information			
Closing net asset value	£5,088,951	£6,028,446	£7,055,418
Closing number of units	1,856,904	2,004,460	2,051,412
Operating charges	1.15%	1.14%	1.20%
Direct transaction costs	0.14%	0.10%	0.16%
Prices			
Highest unit price	341.23p	349.33p	362.35p
Lowest unit price	278.71p	279.26p	305.43p

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

SYNTHETIC RISK AND REWARD INDICATOR



The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available, the returns of a representative portfolio are used.

The Fund has been measured as 6 because it has experienced high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

MARLBOROUGH EMERGING MARKETS TRUST

PORTFOLIO STATEMENT

as at 10 March 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
CHINA/HONG KONG (10 March 2019 - 36.04%)		
1,700 51job Inc - ADR	85,991	1.39
14,000 AAC Technologies Holdings Inc	70,685	1.14
1,647 Alibaba Group Holding Ltd - SP ADR	249,589	4.04
6,000 ASM Pacific Technology Ltd	49,453	0.80
84,980 China Construction Bank Corp 'H'	53,769	0.87
38,000 China Overseas Land & Investment Ltd	96,586	1.56
224,000 China Railway Signal & Communication Corp Ltd 'H'	82,473	1.34
286,000 CIMC Enric Holdings Ltd	101,066	1.64
29,000 HengAn International Group Co Ltd	170,608	2.76
50,000 HKBN Ltd	68,898	1.12
2,800 Hong Kong Exchanges and Clearing Ltd	69,262	1.12
144,575 Industrial and Commercial Bank of China Ltd 'H'	76,206	1.23
19,500 Longfor Group Holdings Ltd	69,486	1.12
536,000 Pacific Basin Shipping Ltd	60,844	0.99
12,700 Sunny Optical Technology (Group) Co Ltd	160,962	2.61
3,770 Tencent Holdings Ltd	142,526	2.31
175,000 Want Want China Holdings Ltd	108,481	1.76
125,000 Xinyi Glass Holdings Ltd	112,157	1.82
8,500 Xtrackers Harvest CSI300 UCITS ETF '1D' USD **	75,755	1.23
Total China/Hong Kong	<u>1,904,797</u>	<u>30.85</u>
INDIA (10 March 2019 - 8.57%)		
14,285 Escorts Ltd	113,872	1.84
4,480 Godrej Consumer Products Ltd	28,268	0.46
46,000 Gujarat State Petronet Ltd	102,253	1.66
13,860 ICICI Bank Ltd - SPON ADR	127,140	2.06
35,000 India Capital Growth Fund Ltd *	20,370	0.33
59,500 Manappuram Finance Ltd	87,395	1.42
79,000 Power Grid Corporation of India Ltd	147,252	2.38
Total India	<u>626,550</u>	<u>10.15</u>
INDONESIA (10 March 2019 - 2.84%)		
158,000 AKR Corporindo Tbk PT	18,246	0.29
206,500 Bank Mandiri (Persero) Tbk PT	75,902	1.23
939,700 Kalbe Farma Tbk PT	58,027	0.94
Total Indonesia	<u>152,175</u>	<u>2.46</u>
MALAYSIA (10 March 2019 - 1.80%)		
354,000 Inari Amertron Bhd	85,219	1.38
Total Malaysia	<u>85,219</u>	<u>1.38</u>
PHILIPPINES (10 March 2019 - 1.13%)		
54,000 Ayala Land Inc	30,418	0.49
475,300 D&L Industries Inc	40,412	0.65
Total Philippines	<u>70,830</u>	<u>1.14</u>
SOUTH KOREA (10 March 2019 - 13.86%)		
890 COSMAX Inc	44,920	0.73
2,375 Hyundai Engineering & Construction Co Ltd	49,641	0.80
863 Hyundai Motor Co Ltd - 2nd Pref	37,406	0.61
1,060 POSCO	122,519	1.98
8,600 Samsung Electronics Co Ltd - Pref	251,266	4.07
2,133 SK Hynix Inc	121,900	1.97
Total South Korea	<u>627,652</u>	<u>10.16</u>

MARLBOROUGH EMERGING MARKETS TRUST

PORTFOLIO STATEMENT

as at 10 March 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
TAIWAN (10 March 2019 - 9.72%)		
116,000 CTCL Corp	99,262	1.61
10,000 HIWIN Technologies Corp	72,908	1.18
45,600 Hon Hai Precision Industry Co Ltd	92,622	1.50
144,000 King Yuan Electronics Co Ltd	122,669	1.99
28,000 Pacific Hospital Supply Co Ltd	51,644	0.84
56,000 Taiwan Hon Chuan Enterprise Co Ltd	81,513	1.32
20,671 Taiwan Semiconductor Manufacturing Co Ltd	162,341	2.63
54,376 WT Microelectronics Co Ltd	53,276	0.86
Total Taiwan	<u>736,235</u>	<u>11.93</u>
THAILAND (10 March 2019 - 1.79%)		
187,500 AMATA Corp Public Co Ltd - NVDR	60,749	0.98
930,000 Gunkul Engineering Public Co Ltd - NVDR	54,826	0.89
73,000 Hana Microelectronics Public Co Ltd - NVDR	51,571	0.84
Total Thailand	<u>167,146</u>	<u>2.71</u>
EMERGING EUROPE (10 March 2019 - 3.42%)		
15,962 Baring Emerging Europe Investment Trust *	99,922	1.62
8,125 JPMorgan Russian Securities Investment Trust *	46,312	0.75
13,500 Koç Holding AS	29,435	0.48
6,400 Logo Yazilim Sanayi ve ticaret	61,025	0.99
3,270 Sberbank of Russia ADR	29,695	0.48
45,000 Turkcell Iletisim Hizmetleri AS	78,764	1.27
59,000 Türkiye Is Bankasi	43,201	0.70
12,900 Ülker Biskuvi Sanayi	35,162	0.57
Total Emerging Europe	<u>423,516</u>	<u>6.86</u>
LATIN AMERICA (10 March 2019 - 8.47%)		
7,200 Antofagasta PLC	52,891	0.86
216,935 Aberdeen Latin American Income Fund *	124,955	2.02
31,958 BlackRock Latin American Investment Trust *	112,812	1.83
9,671 iShares MSCI EM Latin America UCITS ETF USD **	98,354	1.59
35,000 JPMorgan Brazil Investment Trust Ord *	19,775	0.32
26,000 PETROBRAS - PETROLEO BRAS-PR	67,744	1.10
Total Latin America	<u>476,531</u>	<u>7.72</u>
MIDDLE EAST & AFRICA (10 March 2019 - 10.31%)		
101,557 Gulf Investment Fund Plc *	88,019	1.42
2,267 HSBC MSCI South Africa Capped UCITS ETF USD **	64,224	1.04
573 Naspers Ltd - 'N' Shares	69,033	1.12
Total Middle East & Africa	<u>221,276</u>	<u>3.58</u>
INTERNATIONAL (10 March 2019 - Nil)		
93,523 BlackRock Frontiers Investment Trust *	93,523	1.51
873 Prosus NV	46,877	0.76
Total International	<u>140,400</u>	<u>2.27</u>
Portfolio of investments	5,632,327	91.21
Net current assets	<u>542,698</u>	<u>8.79</u>
Total net assets	<u>6,175,025</u>	<u>100.00</u>

* Closed-ended Investment Trust / Fund.

** Exchange Traded Fund.

MARLBOROUGH EMERGING MARKETS TRUST

STATEMENT OF TOTAL RETURN

for the year ended 10 March 2020

	Notes	10 March 2020		10 March 2019	
		£	£	£	£
Income:					
Net capital losses	4		(590,028)		(1,060,017)
Revenue	6	234,542		234,918	
Expenses	7	<u>(84,826)</u>		<u>(87,159)</u>	
Net revenue before taxation		149,716		147,759	
Taxation	8	<u>(31,947)</u>		<u>(15,997)</u>	
Net revenue after taxation			<u>117,769</u>		<u>131,762</u>
Total return before distributions			(472,259)		(928,255)
Distributions	9		(117,769)		(131,762)
Change in net assets attributable to unitholders from investment activities			<u>(590,028)</u>		<u>(1,060,017)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 10 March 2020

	10 March 2020		10 March 2019	
	£	£	£	£
Opening net assets attributable to unitholders		7,117,277		8,395,426
Amounts receivable on issue of units	430,107		368,202	
Amounts payable on cancellation of units	<u>(782,318)</u>		<u>(586,356)</u>	
Amounts payable on unit class conversions	<u>(13)</u>		<u>22</u>	
		(352,224)		(218,132)
Change in net assets attributable to unitholders from investment activities		(590,028)		(1,060,017)
Closing net assets attributable to unitholders		<u>6,175,025</u>		<u>7,117,277</u>

MARLBOROUGH EMERGING MARKETS TRUST**BALANCE SHEET**

as at 10 March 2020

	Notes	10 March 2020 £	10 March 2019 £
Assets:			
Fixed Assets:			
Investments	17	5,632,327	6,971,533
Current Assets:			
Debtors	10	134,857	48,623
Cash and bank balances		534,323	234,711
Total assets		<u>6,301,507</u>	<u>7,254,867</u>
Liabilities:			
Creditors:			
Distribution payable		114,349	127,547
Other creditors	11	12,133	10,043
Total liabilities		<u>126,482</u>	<u>137,590</u>
Net assets attributable to unitholders		<u><u>6,175,025</u></u>	<u><u>7,117,277</u></u>

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

There are no material events that have been identified that may cast significant doubt about the Fund's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The authorised fund manager believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and, following the consideration of the impact of COVID-19, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Dividends from quoted ordinary securities are recognised when the security is quoted ex-dividend.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the authorised fund manager's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis.

Valuation

The valuation point was 12:00 on 10 March 2020 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 10 March 2020 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Equalisation

Equalisation applies only to units purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

DISTRIBUTION POLICIES

Stock and special dividends

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 4, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The authorised fund manager has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in currency into sterling on the day of receipt.

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the authorised fund manager.

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

4 NET CAPITAL LOSSES

The net losses on investments during the year comprise:

	10 March 2020 £	10 March 2019 £
Non-derivative securities losses	(582,090)	(1,053,813)
Currency losses	(2,604)	(1,374)
Transaction charges	(5,334)	(4,830)
Net capital losses	<u>(590,028)</u>	<u>(1,060,017)</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	10 March 2020 £	10 March 2019 £
Purchases excluding transaction costs	<u>2,314,532</u>	<u>1,830,438</u>
	2,314,532	1,830,438
Commissions	2,223	1,991
Taxes and other charges	1,845	802
Total purchase transaction costs	<u>4,068</u>	<u>2,793</u>
Purchases including transaction costs	<u>2,318,600</u>	<u>1,833,231</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.10%	0.11%
Taxes and other charges	0.08%	0.04%

Sales excluding transaction costs

	<u>3,081,616</u>	<u>2,041,114</u>
	3,081,616	2,041,114
Commissions	(2,388)	(1,919)
Taxes and other charges	(3,512)	(2,523)
Total sale transaction costs	<u>(5,900)</u>	<u>(4,442)</u>
Sales net of transaction costs	<u>3,075,716</u>	<u>2,036,672</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.08%	0.09%
Taxes and other charges	0.11%	0.12%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.06%	0.05%
Taxes and other charges	0.07%	0.04%
	<u>0.14%</u>	<u>0.10%</u>

Transaction handling charges

	<u>£5,334</u>	<u>£4,830</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date

	<u>0.65%</u>	<u>0.57%</u>
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6 REVENUE

	10 March 2020 £	10 March 2019 £
UK dividends	28,562	28,896
Overseas dividends	205,537	205,773
Bank interest	443	249
Total revenue	<u>234,542</u>	<u>234,918</u>

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

7 EXPENSES

	10 March 2020	10 March 2019
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	63,077	66,139
Registration fees	2,497	2,559
	<u>65,574</u>	<u>68,698</u>
Other expenses:		
Trustee's fees	2,604	2,752
Safe custody fees	4,508	4,968
Interest	1	280
Financial Conduct Authority fee	125	158
Audit fee	7,582	4,315
Tax agent fees	4,432	5,511
Miscellaneous	-	477
	<u>19,252</u>	<u>18,461</u>
Total expenses	<u><u>84,826</u></u>	<u><u>87,159</u></u>

8 TAXATION

	10 March 2020	10 March 2019
	£	£
a Analysis of the tax charge for the year		
Overseas tax	31,947	15,997
Total tax charge (see note 8(b))	<u><u>31,947</u></u>	<u><u>15,997</u></u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.

Net revenue before taxation	149,716	147,759
Corporation tax at 20% (2019: 20%)	29,943	29,552
Effects of:		
Revenue not subject to taxation	(46,820)	(46,934)
Unrelieved excess management expenses	16,877	17,382
Overseas tax	31,947	15,997
Total tax charge (see note 8(a))	<u><u>31,947</u></u>	<u><u>15,997</u></u>

At 10 March 2020 the Fund has deferred tax assets of £472,590 (2019: £455,713) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	10 March 2020	10 March 2019
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Final	114,349	127,547
Add: Revenue deducted on cancellation of units	6,216	6,031
Deduct: Revenue received on issue of units	(2,782)	(1,837)
Equalisation on conversions	(13)	22
Revenue brought forward	(1)	(1)
Distributions	<u><u>117,769</u></u>	<u><u>131,762</u></u>

10 DEBTORS

	10 March 2020	10 March 2019
	£	£
Amounts receivable for issue of units	63	1,963
Sales awaiting settlement	99,760	-
Accrued income	16,419	18,729
Taxation recoverable	18,615	27,931
Total debtors	<u><u>134,857</u></u>	<u><u>48,623</u></u>

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

11 OTHER CREDITORS

	10 March 2020	10 March 2019
	£	£
Amounts payable for cancellation of units	-	752
Manager's periodic charge and registration fees	2,111	2,007
Accrued expenses	10,022	7,284
Total other creditors	12,133	10,043

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 10 March 2020 (2019: nil).

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders on page 14 and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the authorised fund manager at the year end are £2,048 (2019: £796).

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

	10 March 2020	10 March 2019
Proportion of units owned by directors	4.27%	3.73%

Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

A Income	1.50%
B Income	1.00%
P Income	0.75%

15 UNITHOLDERS' FUND RECONCILIATION

During the year the authorised fund manager has issued, cancelled and converted units from one unit class to another as set out below:

	A Income	B Income	P Income
Opening units in issue at 11 March 2019	361,848	317	2,004,460
Units issues	79,905	990	58,164
Units cancellations	(39,277)	(307)	(213,128)
Units conversions	(7,416)	-	7,408
Closing units in issue at 10 March 2020	395,060	1,000	1,856,904

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

16 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £281,616 (2019: £348,577). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 10 March 2020:

	Investments £	Net current assets £	Total £
Brazilian Real	67,744	4	67,748
Czech Koruna	-	20	20
Euro	46,877	252	47,129
Hong Kong Dollar	1,493,460	14	1,493,474
Hungarian Forint	-	1	1
Indian Rupee	479,040	-	479,040
Indonesian Rupiah	152,175	3,409	155,584
Israeli Shekel	-	4,052	4,052
Korean Won	627,652	10,961	638,613
Malaysian Dollar	85,219	-	85,219
Mexican Peso	-	10	10
Philippine Peso	70,830	258	71,088
Polish Zloty	-	15	15
Singapore Dollar	-	11	11
South African Rand	69,033	24,601	93,634
Taiwan Dollar	736,236	60,224	796,460
Thailand Baht	167,146	1,040	168,186
Turkish Lira	247,587	125	247,712
US Dollar	656,190	39,614	695,804
	<u>4,899,189</u>	<u>144,611</u>	<u>5,043,800</u>

Foreign currency exposure at 10 March 2019:

	Investments £	Net current assets £	Total £
Brazilian Real	-	5	5
Czech Koruna	-	20	20
Euro	-	248	248
Hong Kong Dollar	2,244,582	14	2,244,596
Hungarian Forint	-	1	1
Indian Rupee	387,201	-	387,201
Indonesian Rupiah	202,436	93	202,529
Israeli Shekel	-	3,926	3,926
Korean Won	986,777	15,259	1,002,036
Malaysian Dollar	128,142	-	128,142
Mexican Peso	-	10	10
Philippine Peso	80,204	100	80,304
Polish Zloty	-	15	15
Singapore Dollar	-	11	11
South African Rand	97,697	919	98,616
Taiwan Dollar	691,828	107,583	799,411
Thailand Baht	127,125	-	127,125
Turkish Lira	-	139	139
US Dollar	611,068	14,211	625,279
	<u>5,557,060</u>	<u>142,554</u>	<u>5,699,614</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £252,190 (2019: £284,981). A five per cent increase would have an equal and opposite effect.

MARLBOROUGH EMERGING MARKETS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 March 2020

RISK DISCLOSURES

Interest rate risk

The interest rate risk profile of financial assets and liabilities for the year ended 29 February 2020 consists of the following:

	10 March 2020 £	10 March 2019 £
Financial assets floating rate	534,323	234,711
Financial assets non-interest bearing instruments	5,767,184	7,020,156
Financial liabilities non-interest bearing instruments	(126,482)	(137,590)
	<u>6,175,025</u>	<u>7,117,277</u>

As most of the Fund's financial assets are non-interest bearing, an interest rate sensitivity analysis has not been included.

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	10 March 2020 £	10 March 2019 £
Within one year:		
Distribution payable	114,349	127,547
Other creditors	12,133	10,043
	<u>126,482</u>	<u>137,590</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	10 March 2020		10 March 2019	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	5,632,327	-	6,971,533	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>5,632,327</u>	<u>-</u>	<u>6,971,533</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

18 POST BALANCE SHEET EVENTS

Since 10 March 2020, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	10 March 2020 *	06 July 2020	Movement (%)
A Income	278.78	309.03	10.85%
B Income	281.09	310.26	10.38%
P Income	281.01	309.61	10.18%

* These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

MARLBOROUGH EMERGING MARKETS TRUST

DISTRIBUTION TABLE

Final distribution for the period from 11 March 2019 to 10 March 2020

Group 1: units purchased prior to 11 March 2019

Group 2: units purchased on or after 11 March 2019

		Net revenue 10 March 2020 pence per unit	Equalisation 10 March 2020 pence per unit	Distribution paid 10 May 2020 pence per unit	Distribution paid 10 May 2019 pence per unit
A Income	Group 1	3.1161p	-	3.1161p	3.3831p
	Group 2	1.0273p	2.0888p	3.1161p	3.3831p
B Income	Group 1	4.7750p	-	4.7750p	4.4622p
	Group 2	4.7750p	-	4.7750p	4.4622p
P Income	Group 1	5.4925p	-	5.4925p	5.7517p
	Group 2	3.4481p	2.0444p	5.4925p	5.7517p

Marlborough

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