Contents

BlackRock

BlackRock Frontiers Investment Trust plc

Annual Report and Financial Statements 30 September 2020

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Financial highlights

120.62c
Ordinary share price
-22.1%[1,2,4]

93.30p
Ordinary share price
-25.8%[1,2,4]

126.85c
NAV per ordinary share
-20.0%[3,4]

7.00c
Total dividends
-9.7%

5.8%[4,5]
Yield

US$306.0m
Net assets

Percentage comparisons are year-on-year against 30 September 2019.

1 Mid-market.
2 Share price performance is calculated in Sterling and US Dollar terms with dividends reinvested.
3 NAV performance is calculated in US Dollar terms with dividends reinvested.
4 Alternative Performance Measures. See Glossary on pages 128 to 131.
5 Yield was 4.5% based on share price of 156.33c at 8 December 2020 (exchange rate of US$1.3361 to £1).

Several banks performed well in the year under review, including MCB in Pakistan. MCB has grown its user base by improving remote access through internet and mobile banking services.

Why BlackRock Frontiers Investment Trust plc?

Investment objective

The Company's investment objective is to achieve long-term capital growth by investing in companies domiciled in, or exercising the predominant part of their economic activity in, less developed countries. These countries (the "Frontiers Universe") are any country which is neither part of the MSCI World Index of developed markets, nor one of the eight largest countries by market capitalisation in the MSCI Emerging Markets Index: being Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan (the "Selected Countries").

Reasons to invest

Differentiated growth opportunity

Investing in Frontier markets provides the Company the opportunity to identify attractively valued businesses operating within faster growing economies often delivering undervalued growth potential and highly attractive cash flows and dividends. Many of these markets have a low correlation with the developed markets and with each other, offering portfolio diversification opportunities.

Long-term focus

Looking through the daily noise which impacts markets for the best long term opportunities. We seek out mis-priced assets in some of the fastest growing countries in the world, home to over 3 billion of the world's poorest population. We look to align ourselves with good management teams of highly cash flow generative companies that we believe have the ability to create long term value for the patient investor.

Closed-end structure

Investment Trusts have an independent Board of Directors elected to protect shareholders' interests and enhance shareholder value. Investment trusts are well suited to holding less liquid assets and their closed-ended structure means the Company does not have to sell assets to meet redemptions and can also retain a proportion of its income to help smooth dividend payments. It can also use gearing to potentially increase returns over time and can invest for the long-term in a more diverse portfolio of assets.

Expertise and idea generation

The Company is managed by BlackRock's Global Emerging Markets team and benefits from its expertise and global reach. The team has the resources to undertake extensive, proprietary, on-the-ground research to get to know the management of the companies in which they invest. The team also generates investment ideas using a diverse range of sources, including BlackRock's research platform.

Diversified portfolio

The Portfolio Managers aim to ensure risk and returns are diversified by end market exposures. We work closely with our partners in the BlackRock Risk and Quantitative Analysis group to ensure that portfolio risk is deliberate, diversified and scaled.

Yield

The Company generated an attractive dividend yield of 5.8% for the year ended 30 September 2020 (4.5% based on share price 156.33c as at 8 December 2020).

aic
The Association of Investment Companies

A member of the Association of Investment Companies

Further details about the Company, including the latest annual and half yearly financial reports, fact sheets and stock exchange announcements, are available on the website at www.blackrock.com/uk/brfi

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Performance record

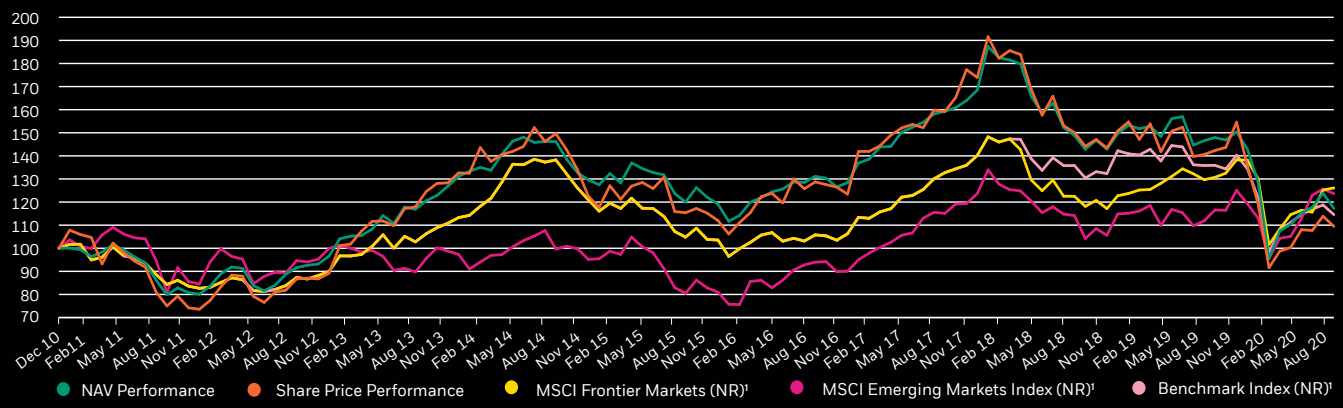
The Company's financial statements are presented in US Dollars. The Company's shares are listed on the London Stock Exchange and quoted in UK Pounds Sterling. The Sterling amounts for performance returns shown below are presented for convenience. The difference in performance returns measured in US Dollars and UK Pounds Sterling reflects the movements in the exchange rate over the period.

	As at 30 September 2020	As at 30 September 2019
US Dollar		
Net assets (US$'000)[1]	305,984	400,820
Net asset value per ordinary share (cents)	126.85	166.54
Ordinary share price (mid market)[2] (cents)	120.62	162.66
Sterling		
Net assets (£'000)[1,2]	236,683	325,262
Net asset value per ordinary share[2] (pence)	98.12	135.15
Ordinary share price (mid market) (pence)	93.30	132.00
Discount[4]	4.9%	2.3%

Performance	For the year ended 30 September 2020 %	For the year ended 30 September 2019 %	Since inception[3, 5] %
US Dollar			
Net asset value per share (with dividends reinvested)[4]	-20.0	-1.5	+17.2
Benchmark Index (NR)[5,6]	-15.6	+0.0	+14.7
MSCI Frontier Markets Index (NR)[5,6]	-2.7	+5.9	+26.1
MSCI Emerging Markets Index (NR)[6]	+10.5	-2.0	+23.6
Ordinary share price (with dividends reinvested)[4]	-22.1	-6.3	+9.5
UK Pounds Sterling			
Net asset value per share (with dividends reinvested)[4]	-23.8	+4.2	+41.0
Benchmark Index (NR)[5,6]	-19.6	+5.8	+37.2
MSCI Frontier Markets Index (NR)[5,6]	-7.3	+12.0	+52.1
MSCI Emerging Markets Index (NR)[6]	+5.4	+3.7	+49.1
Ordinary share price (with dividends reinvested)[4]	-25.8	-0.9	+31.5

1 The change in net assets reflects shares issued/bought back in the year, dividends paid and market movements.
2 Based on an exchange rate of US$1.2928 to £1 at 30 September 2020 and US$1.2323 to £1 at 30 September 2019.
3 The Company was incorporated on 15 October 2010 and its shares were admitted to trading on the London Stock Exchange on 17 December 2010.
4 Alternative Performance Measures, see Glossary on pages 128 to 131.
5 With effect from 1 April 2018, the Benchmark Index changed to the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Benchmark Index was the MSCI Frontier Markets Index. The performance returns of the Benchmark Index since inception have been blended to reflect this change.
6 Net return (NR) indices calculate the reinvestment of dividends net of withholding taxes.
Sources: BlackRock and Datastream.

Performance since inception on 17 December 2010 to 30 September 2020



1 With effect from 1 April 2018, the Benchmark Index changed to the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Benchmark Index was the MSCI Frontier Markets Index. The performance returns of the Benchmark Index since inception have been blended to reflect this change.

All performance figures calculated on a US Dollar basis with dividends reinvested, rebased to 100.

Sources: BlackRock and Datastream.

Chairman's statement

Dear Shareholder

Audley Twiston-Davies
Chairman

Overview

During the year to 30 September 2020, your Company's Net Asset Value per share decreased by 20.0%. Over the same period the Benchmark Index decreased by 15.6%. However, I am pleased to report that since the financial year end, and up to close of business on 8 December 2020, the Company's NAV has increased by 27.9% compared with a rise in the Benchmark Index of 15.5% over the same period. (All performance figures are stated on a US Dollar basis with dividends reinvested).

Despite a promising start to the year, with frontier markets equities generally performing well, in March we witnessed an unprecedented peacetime global economic contraction, following the outbreak of the COVID-19 pandemic. The lockdown measures implemented by governments across the world saw severe restrictions curtailing most forms of economic activity. We also bore witness to the human costs of the pandemic as infection and mortality rates spiked. As the lockdown measures took effect, infection rates fell. However, despite this initial success there are now clear signs of a second wave of infection in certain countries, although to date frontier markets have not seen a similar resurgence in infection rates.

While the smaller emerging and frontier markets have lagged this year, our optimism for the asset class has nevertheless risen, supported by encouraging vaccine trials, which suggest progress towards a post-COVID-19 world. These markets remain underappreciated, despite showing significant economic and medical resilience throughout the pandemic, and in many cases these countries still offer investors much stronger real growth prospects at steep valuation discounts. For example, while the IMF estimates Indonesia will grow by 8.2% in 2021, the market trades at a 36% discount to its 10 year average price to book multiple. Similarly, while Vietnam is expected to grow by 7% next year, the market trades at a 38% discount on the same basis. This is in stark comparison to developed markets, which are only expected to offer 4.5% growth next year but are trading at a 24.5% premium to its 10 year average price to book.

Additionally, many of these countries feature young populations who have embraced technology and are motivated to innovate, resulting in a long-term road to greater economic self-sufficiency through market development and more sustainable wealth creation. Frontier markets may have been forgotten by many, however, their sensitivity to an economic recovery in the face of improving global conditions makes them even more attractive today.

Operational Resilience

Throughout the COVID-19 outbreak the Board have been working closely with our Manager, BlackRock, and the

Company's key service providers to minimise the risk the virus poses to the health and wellbeing of all those involved with the management and administration of the Company. We have also received regular updates on the positioning and the resilience of the portfolio. I am pleased to report that the Company's operations have not been adversely affected and that established business continuity plans have been operating effectively.

Revenue return and Dividends

The Company's revenue return per share for the year amounted to 5.05 cents (2019: 8.24 cents). The Directors are recommending the payment of a final dividend of 4.25 cents per ordinary share (2019: 4.75 cents) in respect of the year ended 30 September 2020. Together with the interim dividend of 2.75 cents per share (2019: 3.00 cents), this represents a total of 7.00 cents per share (2019: 7.75 cents), a decrease of 9.7% over total dividends paid for the previous year.

Subject to shareholder approval, this dividend will be paid on 12 February 2021 to shareholders on the register at close of business on 4 January 2021. The ex-dividend date will be 31 December 2020. The Company does not have a policy of actively targeting income; nevertheless, this return, which has been supported by the Company's revenue reserves, represents an attractive yield of 5.8% (please see the glossary on page 131 for the inputs to the yield calculation). Although this year has seen a significant fall in the level of revenue derived from the portfolio as a result of the impact of COVID-19, the Company nonetheless continues to provide an attractive income return, particularly given the low returns being offered by traditional sources of income.

As mentioned in my statement to shareholders in the Half-yearly Financial Report published earlier this year, the Board reviews the Company's revenue forecast at each meeting and seeks the opinion of the portfolio managers on the anticipated levels of revenue. However, due to the uncertainty created by COVID-19 there is little clarity on the path of dividends in the countries and markets in which we invest.

In the current environment it is more difficult than usual to forecast our 2021 revenue with any certainty, but your Board anticipates that dividends for the current financial year will total 7.00 cents per ordinary share, and this level may be supported by distributable reserves if necessary.

Share capital

The Directors recognise the importance to investors of ensuring that the Company's share price is as close to its underlying NAV as possible. Accordingly, the Directors monitor the share price closely and will consider the issue of shares at a premium or the repurchase at a discount to help balance demand and supply in the market. As at 30 September 2020, the Company had 241,822,801 ordinary shares in issue, including 612,283 shares held in Treasury. A total of 1,150,000 new ordinary shares were issued during the year to 30 September 2020. No further new ordinary shares were traded during the period from 1 October 2020 up to the date of this report.

The Company bought back and transferred to treasury 612,283 ordinary shares during the year to 30 September 2020. All share issuance and buy back activity undertaken during the year has been accretive to the NAV.

For the year under review, the Company's ordinary shares have traded at an average discount to NAV of 3.2% and were trading at a discount of 3.7% on a cum-income basis at 8 December 2020, the latest practicable date prior to the issue of this report.

The Directors have been granted the authority by shareholders to buy back up to 14.99% of the Company's issued share capital (excluding any shares held in treasury) and also to issue or sell from treasury on a non-pre-emptive basis up to 10% of the Company's issued share capital. Both authorities expire on the conclusion of the forthcoming Annual General Meeting (AGM) to be held on Tuesday, 2 February 2021, at which time resolutions will be put to shareholders seeking a renewal of these powers. Further information can be found in the Directors' Report on pages 57 to 59.

Periodic opportunities for return of capital

When the Company was launched in late 2010, the Board made a commitment that before the Company's fifth AGM and at five yearly intervals thereafter, it would formulate and submit to shareholders proposals to provide shareholders with an opportunity to realise the value of their ordinary shares at the prevailing NAV per ordinary share less applicable costs.

Accordingly, it is proposed that all shareholders will be given the opportunity to tender their shares for repurchase by Winterflood Securities (the Company's broker) in early 2021. To implement the tender, a separate realisation pool will be set up, the proceeds of which will be paid to tendering shareholders when the assets have been fully realised. The Directors may, at their discretion, elect

to transfer only cash and near cash assets to the tender pool (instead of a pro-rata share of the Company's assets) in order to expedite the tender process where they consider this to be in the best interests of shareholders as a whole.

The tender offer proposals will require the approval of shareholders at a general meeting which is expected to be held in early to mid February 2021. Full details of the proposals will be set out in a shareholder circular to be issued in due course. If the number of shares tendered is such that the Directors are of the view that the continuance of the Company is not in the best interests of the continuing shareholders, they may withdraw the tender offer, and in such circumstances the Company will put forward alternative proposals to shareholders. All Directors, with the exception of Mr Zok, hold shares in the Company, and no Director will exercise his or her option to exit for cash.

In connection with the above proposals, the Board will also be seeking shareholder authority at the forthcoming AGM to cancel the Company's share premium reserve, effectively converting it into a distributable reserve. This action is being taken, in part, to ensure that the Company has sufficient distributable reserves in the event that the current distributable reserves prove insufficient to effect the tender. Further information can be found in the Directors' Report on page 59.

Board composition

The Board consists of five independent non-executive Directors. As part of its succession plan, the Board regularly considers its composition to ensure that a suitable balance of skills, knowledge, experience, independence and diversity is achieved to enable the Board to effectively discharge its duties. Having served on the Board since November 2010, Mr Pitts-Tucker will be retiring at the forthcoming Annual General Meeting (AGM) and will therefore cease to be a Director of the Company from its conclusion. On behalf of the Board, I would like to take this opportunity to thank Mr Pitts-Tucker for his invaluable contribution to the long-term success of the Company during his tenure. We wish him well for the future. The Board will continue to refresh its composition following the forthcoming AGM.

In accordance with the UK Corporate Governance Code, the Directors submit themselves to annual re-election and therefore all Directors will retire and stand for re-election at the forthcoming AGM. Further information on all of the Directors can be found in their biographies on pages 35 to 37.

Corporate reporting

The Board takes its governance responsibilities very seriously and follows best practice requirements as closely as possible. The revised UK Code of Corporate Governance (the UK Code) published in 2018 requires enhanced disclosure setting out how we, as Directors, have fulfilled our duties in taking into account the wider interests of stakeholders in promoting the success of the Company. As part of this reporting, and given the environmental, social and governance (ESG) issues that are faced by many companies within the Company's Benchmark Index, we have provided a detailed report on these matters in the Strategic Report on pages 50 to 51. We have also provided more information on our Manager's approach to shareholder engagement and voting activities.

The Association of Investment Companies (AIC) has published updates to its Code of Corporate Governance (the AIC Code) which were endorsed by the Financial Reporting Council (FRC) as being appropriate for investment companies. The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019 and the Board has fully adopted the recommendations of the 2019 AIC Code.

Annual general meeting arrangements

The AGM will be held at 12:00 noon on Tuesday, 2 February 2021 at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL. At the time of writing, various guidances have been issued by the UK, Scottish and Welsh governments, respectively, regarding measures to reduce the transmission of COVID-19 in the UK. These measures are, and will continue to be, subject to periodic amendment and currently impose rules on social distancing and limitations on, among other things, public gatherings.

Accordingly, in view of this guidance, the Board is changing the format of the AGM this year to follow the minimum legal requirements for an AGM. Only the formal business set out in the Notice will be considered, with no live presentation by the Investment Manager. A presentation from the Investment Manager will be made available on the Company's website following the conclusion of the AGM. In line with this guidance, shareholders are strongly discouraged from attending the meeting and indeed entry will be refused if current UK Government guidance is unchanged. Shareholders are encouraged to check the Company's website at www.blackrock.com/uk/brfi for updates to the AGM arrangements as changes may well be required to comply with new guidance and/or Government measures.

The Board of course welcomes questions from shareholders and, given the format and prevailing circumstances, I would ask that

"As we move towards the post COVID-19 world where growth looks challenged and sources of yield ever more scarce, our investment universe includes some of the fastest growing countries in the world."

shareholders submit any questions they may have to the Board in advance of the AGM. The Board or the Investment Manager will respond to all questions received. Shareholders may submit questions to the Board before 29 January 2021 by email at: cosec@blackrock.com.

Notwithstanding these difficult circumstances, the Board looks forward to offering opportunities for shareholders to meet the portfolio managers at some safer stage in the future.

Amendment of the articles of association

In light of the circumstances created by the outbreak of the COVID-19 pandemic, the Board is proposing to make amendments to the Articles to enable the Company to hold general meetings (wholly or partially) by electronic means and to give additional powers in respect of postponing or adjourning meetings in appropriate circumstances. The amendments are being sought in response to challenges posed by government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it impossible for shareholders to attend physical general meetings. The Board also notes that the Government is seeking to implement changes to the AGM rules to allow virtual meetings, and these changes are to ensure that the Company is prepared for these changes, once implemented.

The Board's objective in introducing these changes is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel, and also to ensure appropriate security measures are in place for the protection and wellbeing of shareholders. I should make it clear that these powers would only be used if the specific circumstances or applicable law and regulation required it and the Board's intention is to always hold a physical AGM where it is both safe and practical to do so. The safety of shareholders, the Company's third-party service providers and the Board must of course remain paramount.

The principal changes proposed to be introduced in the Articles, and their effect, are set out in more detail in the Directors' report on pages 57 to 59.

Outlook

As we move towards the post COVID-19 world where growth looks challenged and sources of yield ever more scarce, our investment universe includes some of the fastest growing countries in the world and our portfolio continues to provide shareholders with a good source of yield.

Despite what has been a most challenging period for the Company and a global economic backdrop which remains uncertain and unpredictable, we believe there are grounds for optimism. Governments and central banks across the globe have responded to the economic impact of the pandemic with unprecedented fiscal and monetary stimulus, and we have seen many markets rally in response. In addition, the diagnosis and treatment of the COVID-19 virus has developed significantly since the initial outbreak. More recently, several vaccines have reached a stage where they may be able to be deployed in the near future, providing hope for a return to some form of normality, although the challenge of distributing and administering such a vaccine should not be underestimated.

The portfolio managers believe that the indiscriminate sell-off seen at the start of the year has in many cases been excessive, creating distinct value opportunities in smaller frontier markets, which they have selectively been taking advantage of. In fact, many of these markets had already de-rated significantly in recent years and valuations are, in many cases, the lowest seen in a decade.

As you will read in their report, the portfolio is also exposed to several key trends such as de-carbonisation, urbanisation and emerging global wealth. We believe that these themes are likely to dominate the investment climate for years to come and should provide numerous opportunities for the medium to long term investor. In summary, we believe that frontier markets remain an exciting and dynamic asset class, offering great prospects for the medium and long term investor, and it is this, coupled with the depth of the portfolio managers' frontier market expertise and BlackRock's overall insight and resources, that offers shareholders real opportunity in the future.

Finally, on behalf of the Board I would like to thank shareholders for their support as we reach our tenth anniversary.

Audley Twiston-Davies
Chairman
10 December 2020

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Investment manager's report

Sam Vecht

Emily Fletcher

Overview

It seems in the distant past, but equity markets ended 2019 on a high note, benefitting from an improving demand outlook, abating US-China tensions, as well as a resumption of easy monetary conditions led by the US Federal Reserve. Emerging and frontier market performance was no exception, further supported by US Dollar weakness. With expectations that improving liquidity would help drive activity into 2020, the Company was positioned for an expansionary environment, overweight select industrials and cyclical areas such as materials and consumer discretionary sectors.

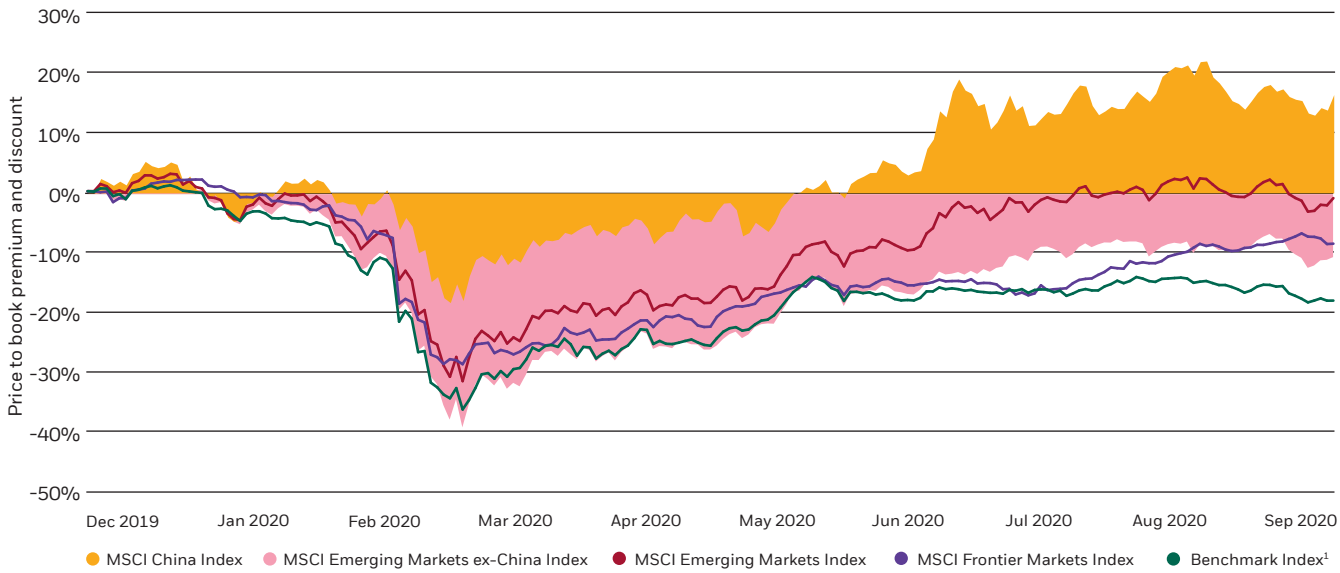
As is now well known, the growing concerns around COVID-19 triggered a sharp sell-off across all risk assets in February and March 2020. Our markets were particularly impacted with Colombia, Greece and Indonesia respectively falling -49.7%, -45.2% and -39.7% in the first quarter of 2020 alone.

Subsequently, the combination of easing of lock downs, large scale fiscal stimulus and the loosening of monetary conditions in the world's three major liquidity centres – the US, Europe and China – has led to the emergence of a global economic rebound. Equity markets have anticipated this recovery to the extent that as at 30 September 2020, the S&P 500 was actually up 4% year to date. However, investor caution has continued to weigh on frontier markets. The MSCI Emerging Markets Index is up 10.5% (in US Dollar terms with dividends reinvested) over the past twelve months but is showing extreme divergence in performance. The larger North Asian markets – China, Korea, and Taiwan – where economies have almost

The changing demands of a growing middle class has been a key theme this year. Leading Vietnamese soymilk producer Quang Ngai Sugar has benefited from shifting preferences towards its dominant Vinasoy brand.

fully reopened, have all posted positive double-digit returns, while all other markets are in the red, some deeply so. With market performance in the smaller markets significantly lagging, despite material improvements in economic conditions, we believe the current situation presents a unique opportunity for investors to access some of the world's fastest growing economies at some of the cheapest valuations we've seen in the past decade.

Divergence in performance returns



[1] Source: BlackRock, as at 30 September 2020.

New holding Sociedad Quimica y Minera de Chile (SQM) is a leading player in the supply of lithium for batteries for electric vehicles.
PHOTO COURTESY OF SQM

The stronger balance sheet of low cost carrier WIZZ Air could help it take significant market share from competitors impacted by the COVID-19 crisis.

PHOTO COURTESY OF WIZZ AIR

Performance overview

During the year ended 30 September 2020, the Company's NAV returned -20.0%[1] versus its Benchmark Index which returned -15.6%[2]. Over this time period, the MSCI Emerging Markets Index gained 10.5% and the MSCI Frontier Markets Index was down 2.7%. Since inception the Company returned +17.2%[1], compared to a +14.7%[2] return of its Benchmark Index and a +26.1% return of the MSCI Frontier Market Index, while the MSCI Emerging Markets Index returned +23.6% (all performance returns are in US Dollar terms with dividends reinvested).

Our decision early in the year, before the dangers of COVID-19 were widely appreciated, to reduce risk in the portfolio, bringing both the Company's net exposure and beta down, proved to be correct. We reduced net exposure from a high of 110% in mid-February to 96% by early March, somewhat constrained by available liquidity from reducing the exposure further. This was a prime example of the benefits for the Company of being able to short, where the addition of short positions in liquid names allowed us to reduce the net exposure quickly. However, with the benefit of hindsight we should have been much more aggressive in these actions.

As is always the case with a sharp sell-off, there was a lack of discrimination shown by investors towards the stocks perceived as COVID-19 losers and we were able to use this opportunity to buy a number of high quality industrials where we felt that valuations looked extremely attractive. One such example was Wizz Air, thought to be the lowest cost carrier globally. Wizz Air entered this crisis with more than US$2bn of cash on its balance sheet, and so we expect it to be positioned to take substantial market share from the many flag carriers who find themselves currently in very precarious positions. Taking advantage of a number of opportunities such as this, net exposure had increased to around 106% by the start of June.

With frontier markets yet to see the rebound of more developed markets, performance has been disappointing, down 15.6% for the year. There is, as yet, with 11 markets still down more than 20% over the last twelve months, no anticipation of recovery priced in. Despite the action taken to contain net exposure as described above, relative performance was dampened with the Company's NAV falling by 20.0%. Given our constructive early year positioning, this relative performance was to be expected. However, whilst relative positioning has been costly this year, we believe it sets us up very nicely for 2021 as those markets return to drivers of performance. Added to this is the

[1] Source: BlackRock, as at 30 September 2020.

[2] Source: MSCI. With effect from 1 April 2018 the Benchmark Index changed to MSCI Emerging Markets ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Benchmark Index was MSCI Frontier Markets Index. The performance of the Benchmark Index has been blended to reflect this change.

unprecedented monetary expansion in the US and record low global interest rates which are likely to drive investors hunting for yield into emerging markets.

Our positive view on fast growing economies, Indonesia and the Philippines, was among the largest detractors. While we did see some recovery from March lows, both markets remain considerably lower than where we started the year. We note the better than expected remittance trends in the Philippines and foreign exchange reserves are at all time highs. Fiscal trends calendar year to date are better than expected in Indonesia and we maintain our high conviction in this trade as these countries continue to offer significant growth and yield in a world where both are increasingly difficult to come by.

At the stock level, Malaysian positioning was a major drag on relative performance, as we did not own rubber glove manufacturers Top Glove and Hartelega. Both companies rallied significantly as global demand for personal protective equipment surged. It was a frustrating trade to miss but given the huge capacity expansion we have seen globally we do not believe that earnings will be sustained at the current levels.

Investment themes & activity

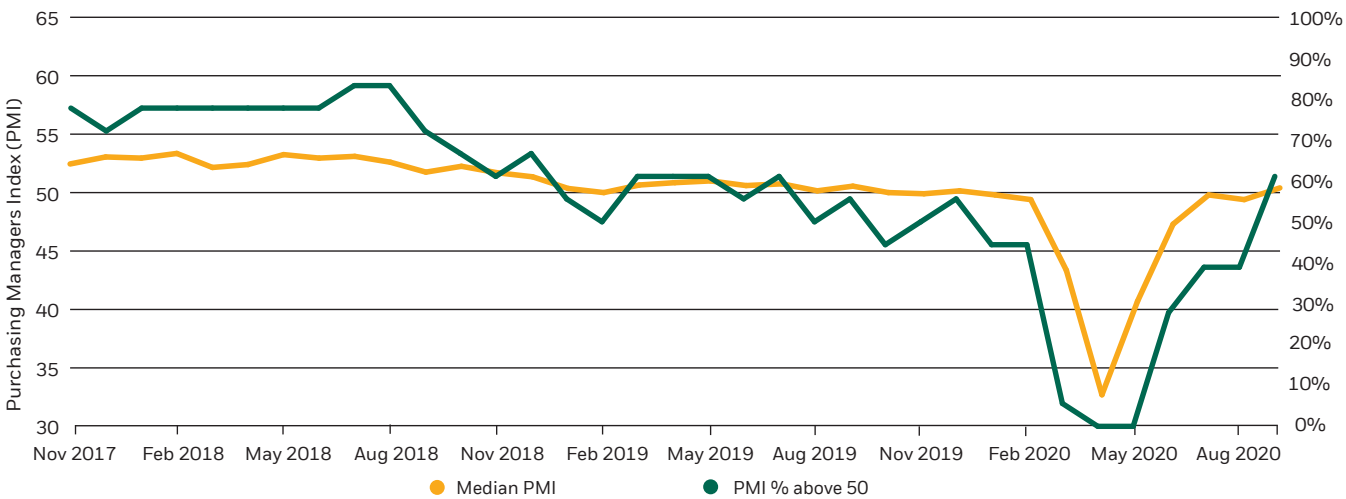
Equally, there were a number of areas of strong performance during the year, which broadly split into the following themes: the shifting consumption habits of a growing middle class, de-carbonisation and a cyclical recovery in frontier market growth.

Consumption habits have continued to evolve alongside rising frontier market incomes. Leading Vietnamese soymilk producer, Quang Ngai Sugar, has benefited from shifting preferences towards its dominant Vinasoy brand. Charoen Pokphand Foods, a global agricultural conglomerate listed in Thailand benefited from increasing per capita meat consumption across emerging markets, with pricing particularly strong as the company was able to avoid its herds being infected with African Swine Flu. Saudi Arabian food producer, Almarai, saw increasing demand for its milk products, while Pakistani bank, MCB, has grown its user base to over 7 million, by improving remote access through internet and mobile banking services. Kazatomprom, the world's lowest cost uranium producer, also performed well in anticipation of demand outstripping supply over the next few years.

With growing awareness of the changes that will be required to meet the Paris Climate Agreement, many consumers and governments are starting to shift their investment priorities, a trend which we expect to accelerate through the next decade. The climate focus within the EU Recovery Fund is a prime example of this. Within our portfolio positive contributors included a number of utility companies such as Terna Energy, the leading Greek offshore wind energy producer, and Colbún, the leading Chilean hydroelectricity company. We have recently initiated a position in Sociedad Química y Minera de Chile (SQM), a leading player in the supply of lithium for batteries for electric vehicles, an area of growth we are particularly excited about.

The severity of the market sell-off in the first quarter of 2020 resulted in significant price dislocations across sectors, creating an unprecedented level of opportunity to buy strong cash flow generating businesses at steep discounts relative to history. We used the market volatility to invest in selected cyclical companies in anticipation of economic recovery. In Poland, we initiated a position in LPP, the leading clothing retailer which has been seeing triple digit growth in its online business. In addition to

Purchasing Managers Indices within the Frontier Markets



The Purchasing Managers' Index helps measure the direction of economic trends in manufacturing. A PMI above 50 represents an expansion month-over-month, while a reading under 50 represents a contraction.
Source: BlackRock

aforementioned Wizz Air Holdings, we also bought a position in Air Arabia, the leading low-cost carrier in the Middle East with an even greater US$3bn of cash on its balance sheet. A number of banks also performed well, being Halyk Savings Bank in Kazakhstan, Banca Transilvania in Romania and MCB Bank in Pakistan. These are well capitalised banks, offering a very attractive yield in countries where there continues to be a positive yield curve. Low-cost Kazakh copper producer, KAZ Minerals, was the period's top contributor. Having exited the stock in February, we were able to buy it back around 40% cheaper in second quarter of 2020. The stock rebounded as the market increasingly appreciated the critical use of copper in building out the energy infrastructure of a de-carbonising world.

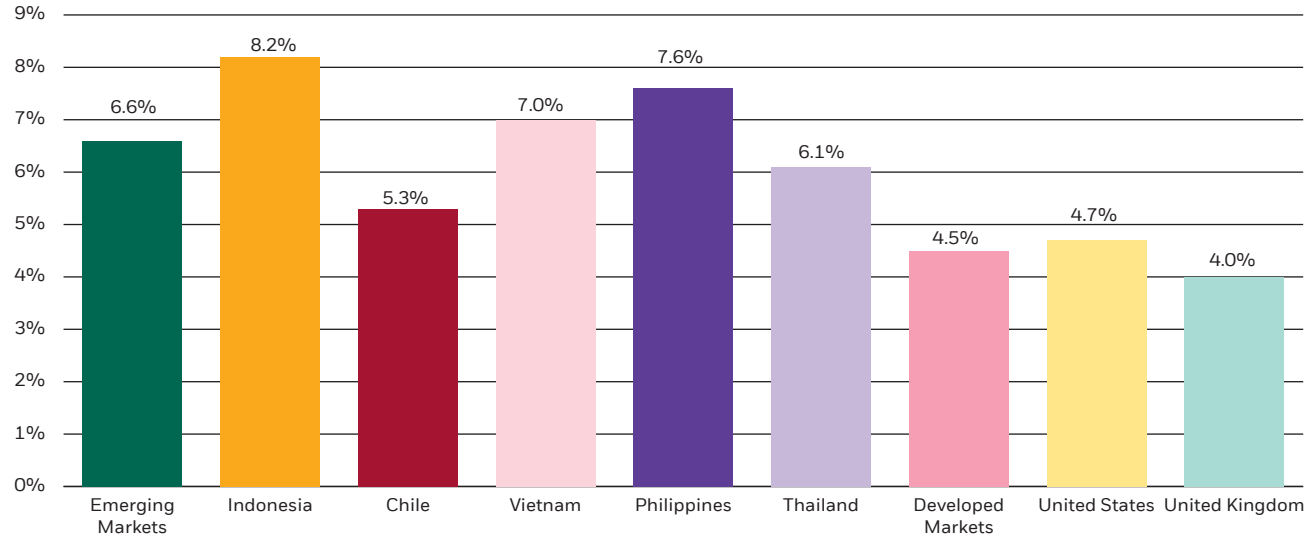
A more extensive overview of these themes and their importance in the portfolio can be found in our piece, "Thematic opportunities for tomorrow" on pages 17 and 18 of the annual report.

There do remain areas of frontier markets where we have concerns. We exited Turkey given further signs of unwelcome intervention in the currency market. We also reduced exposure to the UAE real estate sector amid the need for prolonged inventory destocking.

Outlook

While COVID-19 remains a key short-term global uncertainty, we are more optimistic on the medium-term outlook for frontier markets. Many countries within our universe have seen a near V-shaped rebound in economic activity and now have considerably less fiscal overhang than their peers in developed markets. It is also worth highlighting that these smaller economies remain a

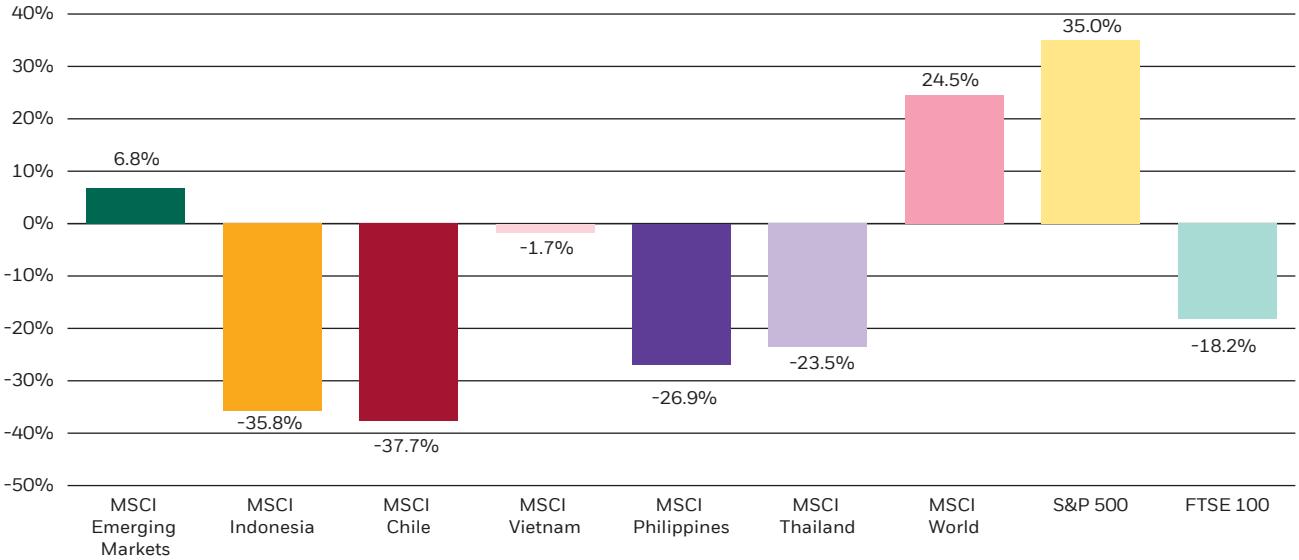
Real GDP Growth (2021E)



Real Gross Domestic Product (GDP) measures the market values of all the final goods and services produced within the associated country. The chart above illustrates that the GDP growth in emerging and frontier markets, outpaces that of major developed markets.

Source: BlackRock

Price to book vs 10 year average



The chart above illustrates that many emerging and frontier markets are trading at very cheap valuations relative to their 10-yr average valuation levels, while developed markets are generally trading at more expensive levels when compared to their 10-yr average valuation levels.

Source: BlackRock

Central bank assets annual change – awash with liquidity

Source: BlackRock

material source of growth and yield in a world that lacks both. Furthermore, in several countries, currencies are now highly attractive on a real effective exchange rate basis.

On our analysis, frontier markets currently represent close to 30% of the world's population, 12% of total gross domestic product (GDP), and 5% of net profits. Despite this, they account for only 1% of world indices, a number that has declined significantly over the last 10 years. We remain convinced that over time frontier markets' index representation should grow towards their share of world profits, which in turn should be more reflective of their contribution to GDP. Over the longer term, as these countries become richer, we believe that considerably more than 1% of investors' capital will be allocated to the countries in which nearly 3 billion people live. In an investment world increasingly focused on ESG, we find it strange that the poorest 3 billion have been increasingly side lined by both index providers and allocators of capital.

While during recent years, frontier markets, despite their growth, have been out of favour, we believe that in a post COVID-19 world awash with record liquidity, investors will remember the considerable attractions of our investment universe. The megatrends highlighted above have not been impacted by COVID-19. On the contrary, their importance and duration have been amplified during this most challenging of years.

We have identified climate change, rapid urbanisation, emerging global wealth, and demographics as key megatrends that will dominate the investment climate for years to come. We believe that nowhere are these themes more prevalent than in frontier markets; and that this will become increasingly recognised over the next decade offering numerous opportunities to the Company.

We are broadly positioned for a normalisation in global economic activity. We remain positive on areas where policy makers have taken upfront, prudent measures to contain COVID-19, where the foreign currency debt situation is relatively manageable, and countries that will benefit from a lower oil price and whose currencies appear inexpensive. As such, Indonesia, the Philippines, and Vietnam appear attractive. Like all asset classes, frontier markets are not without risk but we think that these risks are largely reflected in asset prices. After a particularly challenging couple of years, and with valuations near all-time lows, despite growth rebounding strongly, we suggest that investors look once again at this most exciting yet often ignored asset class.

Sam Vecht and Emily Fletcher
BlackRock Investment Management (UK) Limited
10 December 2020

Thematic opportunities for tomorrow

Fund Managers, Sam Vecht and Emily Fletcher discuss the long-term attractiveness of the asset class, highlighting thematic opportunities that have often been overlooked.

"In an investment world increasingly focused on ESG, we find it strange that the poorest 3 billion have been side lined by both index providers and allocators of capital"

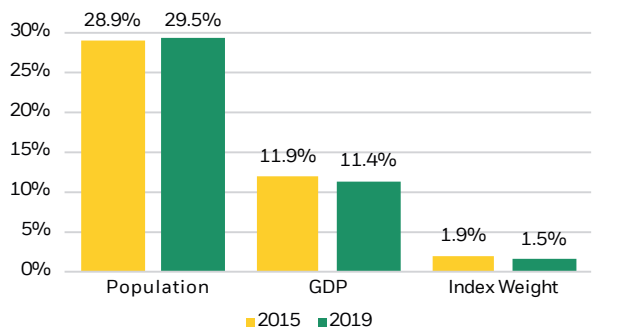
Sam Vecht, CFA
Co-Portfolio Manager

Why smaller should not mean forgotten

While understandably much of the focus in 2020 has been on COVID-19 and its global impact, we thought it was worthwhile taking a step back to re-examine the case for frontier markets. Highlighted in Figure 1, the Company's universe of smaller emerging and frontier markets has experienced accelerated population growth and now accounts for almost 30% of the global total. It is interesting to note in Figure 2 that, over the last five years the absolute level of profits in frontier markets has gone up by roughly 40%. Although this level of profit growth has been slightly slower than what was seen in some of the larger markets, frontier markets have lost a quarter of their stock market index representation. This has meant that the ongoing growth of these countries can now be accessed at deeply discounted valuations.

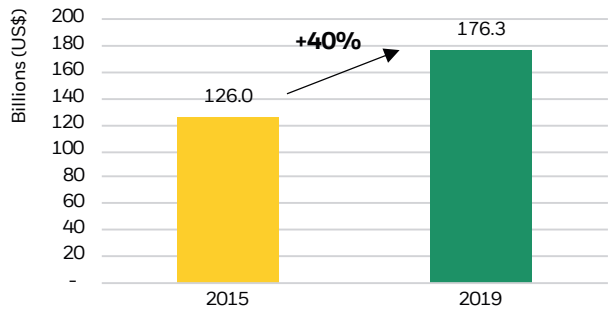
In fact, as outlined in this year's annual report, we maintain conviction that over time frontier markets' index representation should grow towards their share of world profits, which in turn should be more reflective of their contribution to global gross domestic product (GDP). Over the longer term as these countries become richer, we believe that considerably more than 1.5% of investors' capital will be allocated to the countries in which nearly 3 billion people live.

Figure 1: Frontier markets' share of the world (%)



Source: Bloomberg as of 30 Sept 2020, IMF World Economic Outlook October 2019.

Figure 2: Frontier markets' net income growth



Source: Worldscope as of 30 Sept 2020.

Megatrends continue to be prevalent in Frontiers

Given the global focus on COVID-19 in the near term, we thought it appropriate that BlackRock's long-term megatrends are reflected in the portfolio.

De-carbonisation

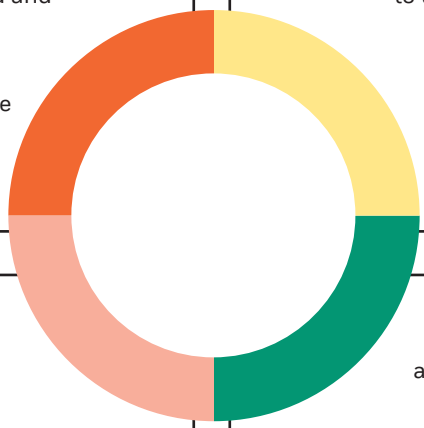
Companies whose linkages to alternative energy sources can help drive down carbon dioxide emissions through time

- As a key component in rechargeable battery cells, **lithium producers in Latin America** provide indirect exposure to the growing hybrid and electric vehicle trend
- **A European wind farm developer** helped reduce 1.1m tons of greenhouse gas emissions in 2019; a number that should rise with dedicated support from the EU Recovery Fund

Rapid Urbanisation

Businesses that facilitate improvements in living conditions for some of the world's poorest populations

- Having operations across six continents, in 18 countries, this **Asian port operator**, is vital to the growth and development of social and economic infrastructure across the developing world
- **An African fuel retailer** operates over 2,100 service stations across 23 countries in Africa, serving 800,000 customers daily



Emerging Global Wealth

Businesses that enable entrepreneurship and promote greater economic self-sufficiency

- These financial institutions in Asia, Europe and Latin America have built out **networks to better serve their rural communities**, including **improvements in remote access tools** to keep up with an increasingly mobile user base
- A company's expansions into micro finance and insurance services have helped drive wealth creation

Demographics

Companies that serve the needs of an increasingly connected consumer base, and that are supportive of fast paced millennial trends

- **A Middle Eastern gym operator** that has tapped into the rising health, fitness, and personal wellbeing trend, specifically catering to the country's underserved female population
- **A Eurasian fintech firm** pioneering integrated ecommerce, and payments services for a digitised consumer

Optimism for the markets of tomorrow

Some might claim that many of the opportunities and trends mentioned above have been present for the last decade, and ask why now in the 2020s should frontier markets outperform their developed market peers? While we can't be certain of the future, we would argue that the cheaper currencies, improved relative fiscal positioning, better current account data in selected countries could prove important. Furthermore, at some stage the social, political, and economic imbalances that exist in the western world might be reflected in market valuations.

We are conscious of the fact that during the first decade of this century the Nasdaq Index offered low returns and high volatility, while emerging markets offered the reverse combination. At that point, an investor could have claimed that adding technology to a diversified asset base would both reduce returns and increase risk. Of course the last decade has shown that that was precisely the time to allocate money to the broader technology universe. We would suggest that perhaps the same miscalculation based on the recent past is currently being applied to frontier markets. As fundamental investors, we believe that stock prices and profits are highly correlated over the medium-term. As frontier market economies and corporates continue to grow, we think that share prices will reflect this growth in the way that they have singularly failed to do so during recent years.

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Portfolio

Low-cost Kazakh copper producer KAZ Minerals was the period's top contributor. Copper is increasingly appreciated as a critical component in replacing the energy infrastructure of a de-carbonising world.

PHOTO COURTESY OF KAZ MINERALS

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Ten largest investments[1]

1 ▲ PTT Exploration & Production
(2019: n/a)

Energy (Thailand)

Portfolio value: $9,938,000
Percentage of net assets: 3.2% (2019: Nil)

A Thai national petroleum exploration and production company focusing on natural gas, crude oil, and condensate. The company has operations across Asia Pacific, the Americas, the Middle East, and Africa.

2 ▲ Bank Mandiri (2019: 18th)

Financials (Indonesia)

Portfolio value: $9,476,000
Percentage of net assets: 3.1% (2019: 2.3%)

One of Indonesia's largest financial institutions with IDR 1,318 Trillion, Bank Mandiri is supported by 11 subsidiaries that together offer integrated services meeting communities' needs, including Sharia Banking Services, Multifinance, Insurance, Investment Banking, Venture Capital, and Remittance.

3 ▲ Mobile World[2] (2019: 7th)

Consumer Discretionary (Vietnam)

Portfolio value: $9,260,000
Percentage of net assets: 3.0% (2019: 2.7%)

Vietnam's top mobile phone retailer by revenue and net profit after tax with 2,200+ stores nationwide. Mobile World operates the following concepts: "The Gioi Di Dong" mobile phone retail chain, "Dien May Xanh" consumer electronics retail chains, "Bach Hoa Xanh" grocery retail chain. In addition, Mobile World expanded to regional markets with the first mobile phone retail chain named "Bigphone" in Cambodia.

Ten largest investments[1]

continued

4 ▲ LT Group (2019: 6th)

Industrials (Philippines)

Portfolio value: $8,290,000
Percentage of net assets: 2.7% (2019: 2.9%)

A diversified investment company that engages in beverages, tobacco, property development, and banking businesses in the Philippines.

5 ▶ Eastern Tobacco (2019: 5th)

Consumer Staples (Egypt)

Portfolio value: $8,282,000
Percentage of net assets: 2.7% (2019: 2.9%)

Eastern Tobacco is an Egypt-based company, which is engaged in manufacturing tobacco products. The Company's product portfolio includes cigarettes, cigars, pipe tobacco, and molasses tobacco (Moassels), as well as other related products such as cigarettes' filter rods and homogenized tobacco.

6 ▲ United International Transport[2] (2019: 20th)

Industrials (Saudi Arabia)

Portfolio value: $8,163,000
Percentage of net assets: 2.7% (2019: 2.2%)

Colloquially known as 'Budget Saudi', the company operates a fleet of over 24,000 cars through 101 rental offices across Saudi Arabia and the Middle East.

7 ▲ CP All (2019: n/a)

Consumer Staples (Thailand)

Portfolio value: $8,095,000
Percentage of net assets: 2.6% (2019: Nil)

Initially established to operate convenience stores in Thailand under the "7-Eleven" trademark, the company has expanded to include bill payment and collection services, manufacturing and sale of convenience store food and bakery products, and more recently, membership-based wholesale services through the Makro brand.

8 ▼ Astra International[3] (2019: 1st)

Consumer Discretionary (Indonesia)

Portfolio value: $8,078,000
Percentage of net assets: 2.6% (2019: 3.5%)

Astra International is an Indonesian conglomerate. It owns Southeast Asia's largest independent automotive group and is the leading provider of a full range of automobile and motor-cycle products. Astra also has interests in financial services; heavy equipment, mining, construction and energy; agribusiness; infrastructure and logistics; information technology; and property. It is also an active participant in the development of Indonesia's strategic infrastructure, including toll roads, energy, transportation and logistics and sea ports.

9 ▲ Indocement Tunggal Prakarsa (2019: n/a)

Materials (Indonesia)

Portfolio value: $7,753,000
Percentage of net assets: 2.5% (2019: Nil)

One of Indonesia's largest cement producers, the company's business includes manufacturing, ready-mix concrete and aggregates.

10 ▲ MCB Bank[2] (2019: 25th)

Financials (Pakistan)

Portfolio value: $7,699,000
Percentage of portfolio: 2.5% (2019: 2.0%)

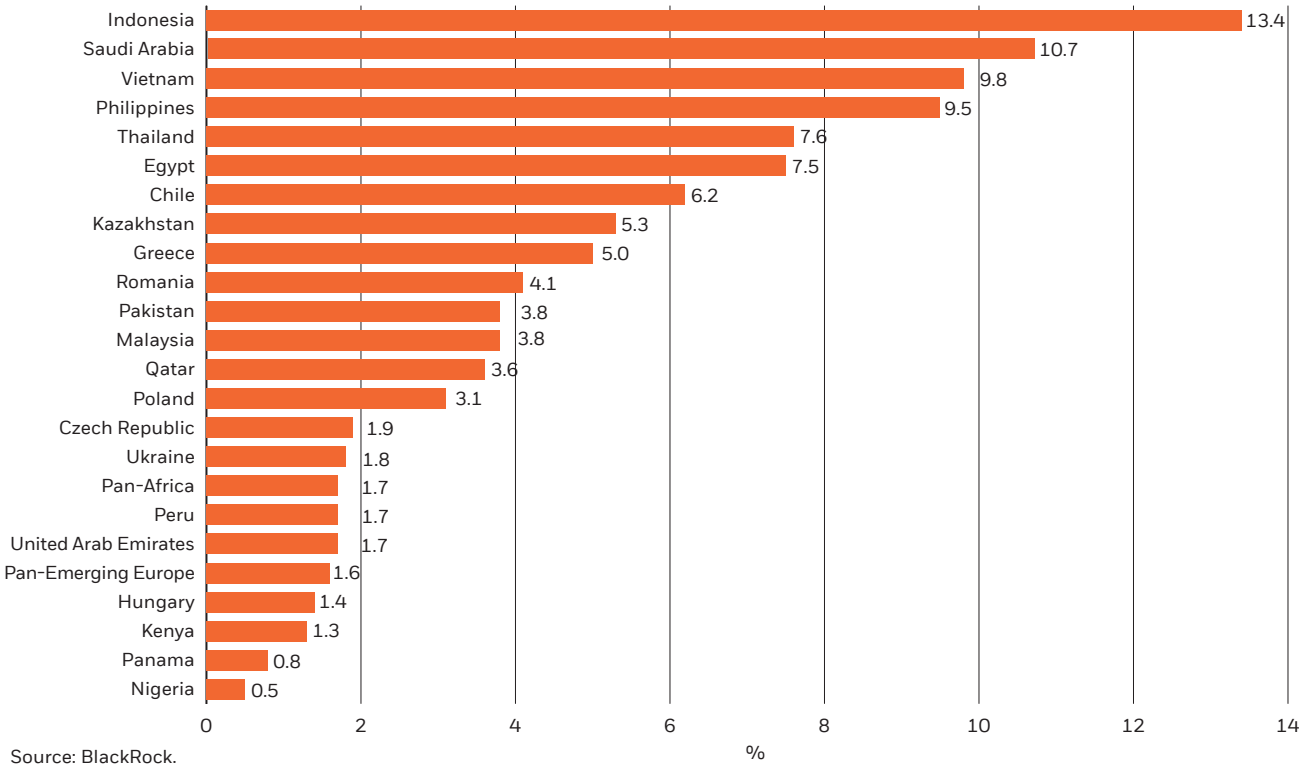
One of Pakistan's largest banks with a total customer base exceeding 7 million. Consumer access is a key focus for the lender, boasting a 1,400+ branch network and strong remote banking services, through both Internet and Mobile Banking products.

1 Gross market exposure as a % of net assets.
Percentages in brackets represent the portfolio holding at 30 September 2019.
2 Exposure gained via contracts for difference only.
3 Includes exposure gained via both contracts for difference and equity holdings.

Portfolio analysis

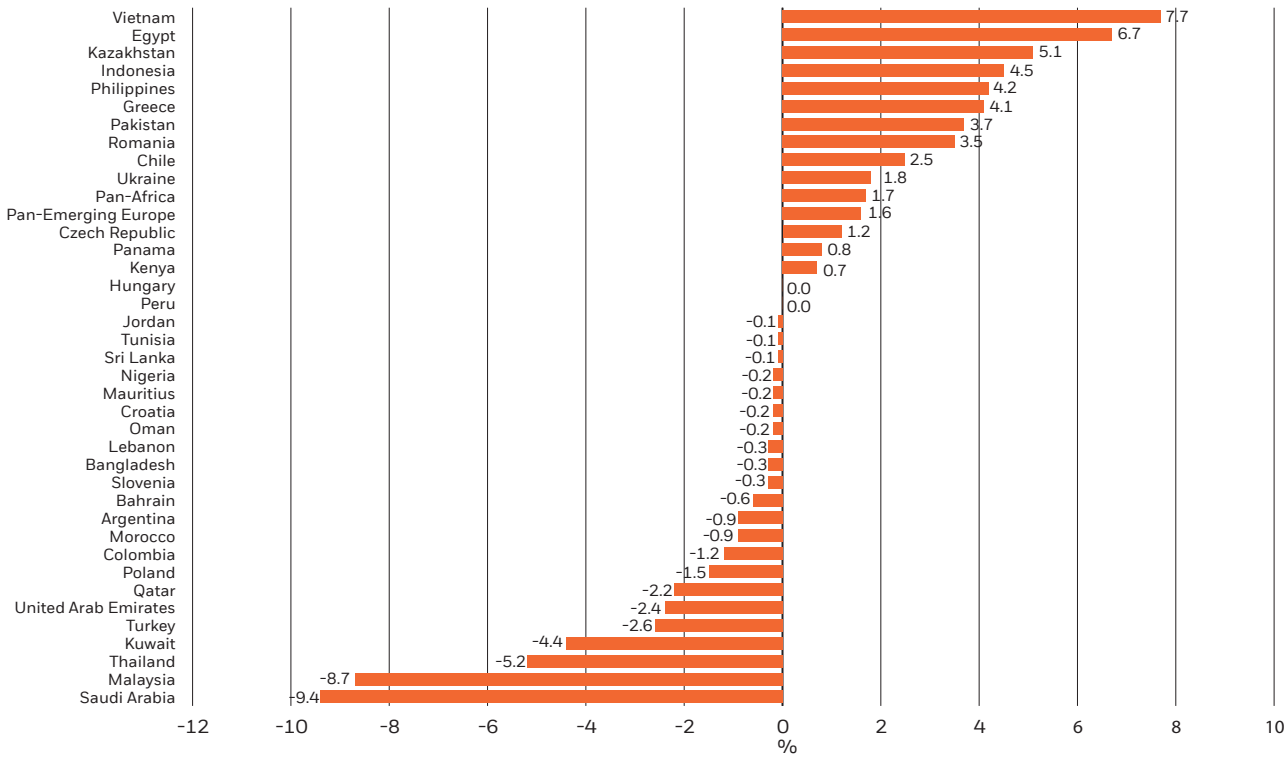
as at 30 September 2020

Country allocation: Absolute weights (Gross market exposure as a % of net assets)[1]



Source: BlackRock.

Country allocation relative to the Benchmark Index (%)[1]

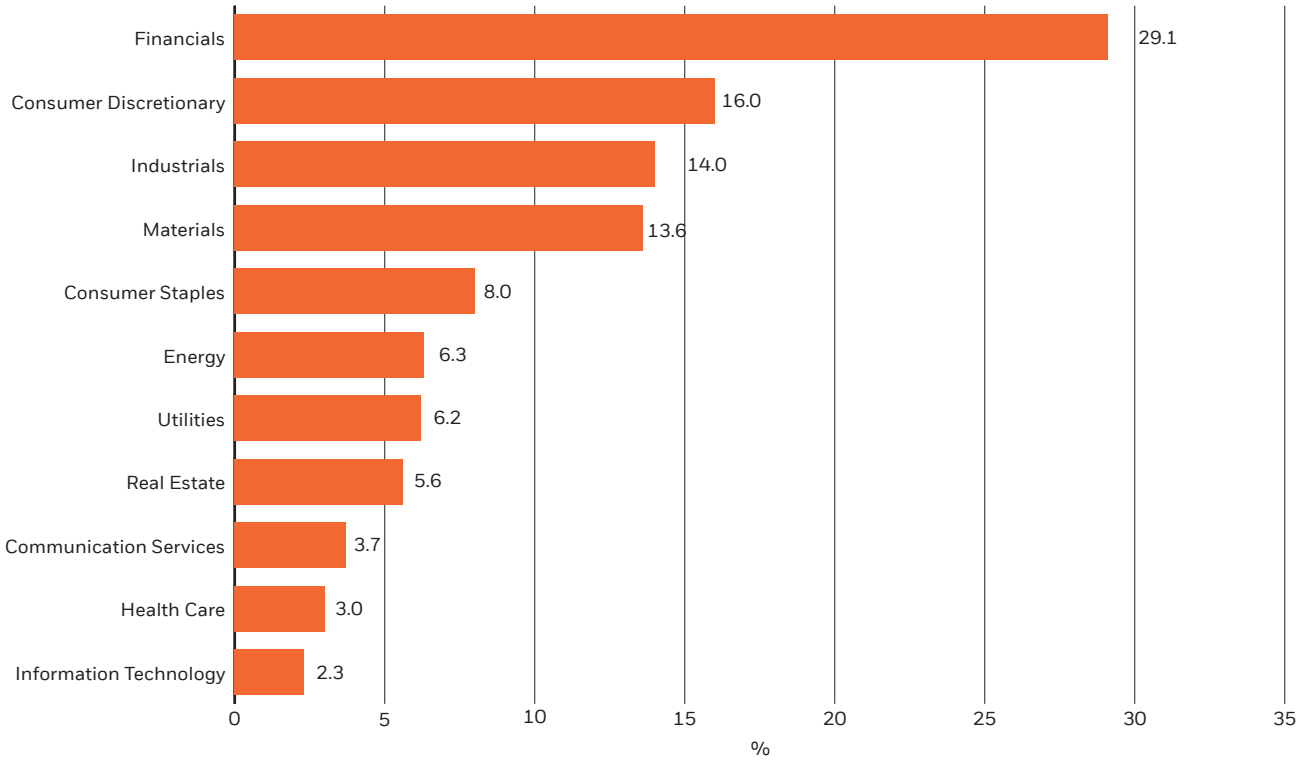


[1] Includes exposure gained through equity positions and long CFD positions.
Sources: BlackRock and Datastream.

Portfolio analysis

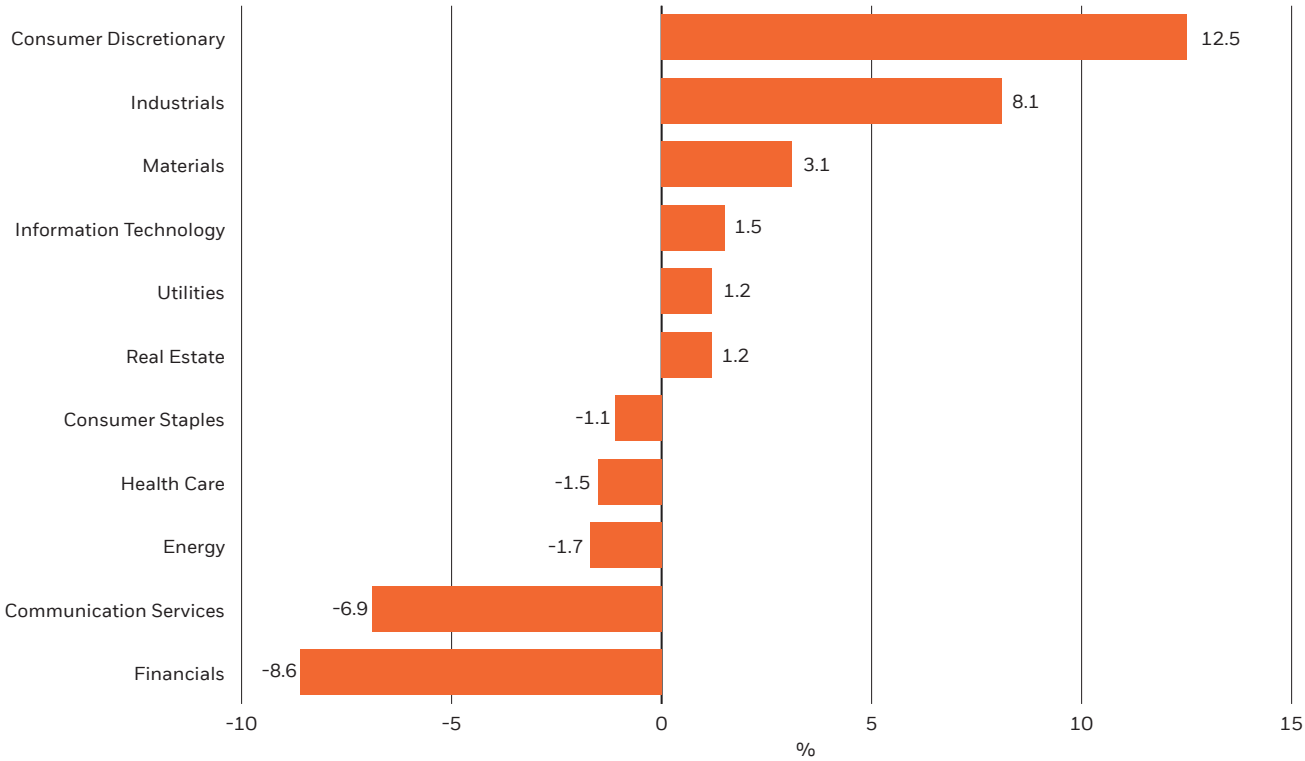
continued

Sector allocation: Absolute weights (Gross market exposure as a % of net assets)[1]



Source: BlackRock.

Sector allocation relative to the Benchmark Index (%)[1]



[1] Includes exposure gained through equity positions and long CFD positions.
Sources: BlackRock and Datastream.

Investments

as at 30 September 2020

Equity portfolio

Company	Principal country of operation	Sector	Fair value[1] US$'000	Gross market exposure as a % of net assets[3]
Bank Mandiri	Indonesia	Financials	9,476	3.1
Indocement Tunggal Prakarsa	Indonesia	Materials	7,753	2.5
Astra International	Indonesia	Consumer Discretionary	6,264	2.0
Bank Rakyat	Indonesia	Financials	5,804	1.9
Mitra Adiperkasa	Indonesia	Consumer Discretionary	4,320	1.4
Pakuwon Jati	Indonesia	Real Estate	4,239	1.4
			37,856	**12.3**
LT Group	Philippines	Industrials	8,290	2.7
Bloomberry Resorts	Philippines	Consumer Discretionary	6,727	2.2
Bank of the Philippine Islands	Philippines	Financials	5,623	1.9
International Container Terminal Services	Philippines	Industrials	4,942	1.6
GT Capital Holding	Philippines	Industrials	3,374	1.1
			28,956	**9.5**
PTT Exploration & Production	Thailand	Energy	9,938	3.2
CP All	Thailand	Consumer Staples	8,095	2.6
Aeon Thana Sinsap	Thailand	Financials	5,251	1.8
			23,284	**7.6**
Eastern Tobacco	Egypt	Consumer Staples	8,282	2.7
EFG Hermes Holdings	Egypt	Financials	6,232	2.0
Orascom Construction	Egypt	Industrials	5,625	1.9
Integrated Diagnostics	Egypt	Health Care	2,749	0.9
			22,888	**7.5**
Empresas CMPC	Chile	Materials	6,186	2.0
Sociedad Química y Minera de Chile ADR	Chile	Materials	6,000	2.0
Banco Santander Chile	Chile	Financials	3,517	1.1
Colbún	Chile	Utilities	3,461	1.1
			19,164	**6.2**
Halyk Savings Bank	Kazakhstan	Financials	7,587	2.5
Kazatomprom	Kazakhstan	Energy	4,742	1.5
KAZ Minerals	Kazakhstan	Materials	4,031	1.3
			16,360	**5.3**
Hellenic Telecom Organisation	Greece	Communication Services	5,927	1.9
Terna Energy	Greece	Utilities	5,839	1.9
National Bank of Greece	Greece	Financials	2,068	0.7
			13,834	**4.5**
Banca Transilvania	Romania	Financials	7,625	2.5
OMV Petrom	Romania	Energy	4,800	1.6
			12,425	**4.1**

Investments

continued

Company	Principal country of operation	Sector	Fair value[1] US$'000	Gross market exposure as a % of net assets[3]
RHB Bank	Malaysia	Financials	6,194	2.0
Genting	Malaysia	Consumer Discretionary	3,429	1.1
British American Tobacco Malaysia	Malaysia	Consumer Staples	1,928	0.7
			11,551	**3.8**
KRUK	Poland	Financials	4,574	1.5
LPP	Poland	Consumer Discretionary	2,639	0.9
			7,213	**2.4**
Ferrexpo	Ukraine	Materials	5,503	1.8
			5,503	**1.8**
Industries Qatar	Qatar	Industrials	5,376	1.8
			5,376	**1.8**
Vivo Energy	Pan-Africa	Consumer Discretionary	5,256	1.7
			5,256	**1.7**
Credicorp	Peru	Financials	5,211	1.7
			5,211	**1.7**
Emaar Properties	United Arab Emirates	Real Estate	5,125	1.7
			5,125	**1.7**
Erste Group Bank	Pan-Emerging Europe	Financials	4,803	1.6
			4,803	**1.6**
Wizz Air Holdings	Hungary	Industrials	4,192	1.4
			4,192	**1.4**
Equity Group	Kenya	Financials	3,759	1.2
			3,759	**1.2**
Hub Power	Pakistan	Utilities	3,740	1.2
			3,740	**1.2**
Copa Holdings	Panama	Industrials	2,569	0.8
			2,569	**0.8**
Guaranty Trust Bank	Nigeria	Financials	1,567	0.5
			1,567	**0.5**
Equity investments			**240,632**	**78.6**
BlackRock's Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund (Cash Fund)			64,465	21.1
Total equity investments (including Cash Fund)			**305,097**	**99.7**

CFD portfolio

Company	Principal country of operation	Sector	Fair value[1] US$'000	Gross market exposure[2] US$'000	Gross market exposure as a % of net assets[3]
Long positions					
United International Transport	Saudi Arabia	Industrials		8,163	2.7
Sahara International Petrochemical	Saudi Arabia	Materials		7,242	2.3
National Medical Care	Saudi Arabia	Health Care		6,445	2.1
Leejam Sports	Saudi Arabia	Consumer Discretionary		5,731	1.9
Yanbu National Petrochemical	Saudi Arabia	Materials		5,106	1.7
				32,687	**10.7**
Mobile World	Vietnam	Consumer Discretionary		9,260	3.0
Vincom Retail	Vietnam	Real Estate		7,452	2.5
FPT	Vietnam	Information Technology		6,987	2.3
Quang Ngai Sugar	Vietnam	Consumer Staples		6,105	2.0
				29,804	**9.8**
MCB Bank	Pakistan	Financials		7,699	2.5
Hub Power	Pakistan	Utilities		203	0.1
				7,902	**2.6**
CEZ	Czech Republic	Utilities		5,899	1.9
				5,899	**1.9**
Ooredoo	Qatar	Communication Services		5,521	1.8
				5,521	**1.8**
Astra International	Indonesia	Consumer Discretionary		1,814	0.6
Mitra Adiperkasa	Indonesia	Consumer Discretionary		1,514	0.5
				3,328	**1.1**
LPP	Poland	Consumer Discretionary		2,235	0.7
				2,235	**0.7**
National Bank of Greece	Greece	Financials		1,657	0.5
				1,657	**0.5**
Equity Group	Kenya	Financials		280	0.1
				280	**0.1**
Kuwait Food (Americana)[4]	Kuwait	Consumer Discretionary		3	0.0
				3	**0.0**
Total long CFD positions			**(10)**	**89,316**	**29.2**

Fair value and gross market exposure of investments as at 30 September 2020

Portfolio	Fair value[1] US$'000	Gross market exposure[3] US$'000	Gross market exposure as a % of net assets[3] 2020	2019
Equity investments	240,632	240,632	78.6	80.4
Total long CFD positions	(10)	89,316	29.2	29.6
Total short CFD positions	–	–	0.0	(4.0)
Total gross exposure	**240,622**	**329,948**	**107.8**	**106.0**
Cash Fund	64,465	64,465	21.1	17.8
Total investments	**305,087**	**394,413**	**128.9**	**123.8**
Cash and cash equivalents[1,2]	1,469	(87,857)	(28.7)	(23.5)
Other net current liabilities	(553)	(553)	(0.2)	(0.3)
Non-current liabilities	(19)	(19)	0.0	0.0
Net assets	**305,984**	**305,984**	**100.0**	**100.0**

The Company was geared through the use of long and short CFD positions and gross and net gearing as at 30 September 2020 was 107.8% and 107.8% respectively as the Company had no short positions at that date (2019: 114.1% and 106.0% respectively). Gross and net gearing are Alternative Performance Measures, see Glossary on page 128.

1 Fair value is determined as follows:
- Listed investments are valued at bid prices where available, otherwise at latest market traded quoted prices.
- The sum of the fair value column for the CFD contracts totalling US$(10,000) represents the fair valuation of all the CFD contracts, which is determined based on the difference between the notional transaction price and value of the underlying shares in the contract (in effect the unrealised gains/(losses) on the exposed positions). The cost of purchasing the securities held through long CFD positions directly in the market would have amounted to US$89,326,000 at the time of purchase, and subsequent market movements in prices have resulted in unrealised losses on the long CFD positions of US$10,000 resulting in the value of the total market exposure to the underlying securities decreasing to US$89,316,000 as at 30 September 2020.

2 The gross market exposure column for Cash and cash equivalents has been adjusted to assume the Company purchased direct holdings rather than exposure being gained through CFDs.

3 Market exposure in the case of equity investments is the same as fair value. In the case of CFDs it is the market value of the underlying shares to which the portfolio is exposed via the contract.

4 Unquoted investment.

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Governance

Leading Greek offshore wind energy producer Terna Energy was a contributor during the year. A growing awareness of the changes necessary to meet the Paris agreement is seeing a shift in government investment priorities. This can be seen in the climate focus within the EU Recovery Fund.

Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources investment management and administration to the Manager and other external service providers.

The Board

5 scheduled meetings per annum

Five non-executive Directors (NEDs), all independent of the Manager

Chairman: Audley Twiston-Davies

Objectives:

- To determine the Company's strategy, including investment policy and investment guidelines;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded; and
- To challenge constructively and to scrutinise performance of all outsourced activities.

Other functions:

- To carry out the duties of a Nomination Committee, including a regular review of the Board's structure and composition, making recommendations for any new Board appointments and reviewing the Directors' conflicts of interest; and
- To determine the Company's remuneration policy.

Audit and management engagement committee[1]

2 scheduled meetings per annum

Chairman: Stephen White

Membership: All NEDs

Key objectives:

- To oversee financial reporting;
- To consider the adequacy of the control environment;
- To review the performance of the Manager;
- To review and form an opinion on the effectiveness of the external audit process; and
- To review other service providers.

[1] Terms of reference for the committee are available at www.blackrock.com/uk/brfi

Directors' biographies

Audley Twiston-Davies
Chairman
(Appointed 23 November 2010)

Currently Chairman of the Governors of the Haberdashers Monmouth Schools. He was formerly Chairman of Taylor Young Investment Management Limited, non-executive Chairman of TR European Growth Trust plc and Kazimir Russian Growth Fund and also the Chief Executive Officer of F&C Emerging Markets Limited.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2

Stephen White
Audit and Management Engagement Committee Chairman (with effect from 22 November 2016)
(Appointed 13 July 2016)

Currently a non-executive Director of JP Morgan European Smaller Companies Investment Trust plc, Aberdeen New India Investment Trust plc, Polar Capital Technology Trust plc and Jupiter US Smaller Companies plc. He was formerly a non-executive director of Global Special Opportunities Trust plc, Head of European and US equities at British Steel Pension Fund, Head of European Equities at Foreign & Colonial Investment Management, Manager of F&C Eurotrust plc and Deputy Manager of the F&C Investment Trust plc. Prior to joining Foreign & Colonial in 1985, he held positions at Hill Samuel Asset Management, Phillips & Drew and PriceWaterhouse. He is a Chartered Accountant.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the AGM.

Directors' biographies

continued

Katrina Hart
(Appointed 1 October 2019)

Currently a non-executive director of Polar Capital Global Financials Trust plc, Keystone Investment Trust plc and of AEW UK REIT plc. She was formerly a non-executive director of Premier Miton Group plc. Mrs Hart spent her executive career in investment banking, advising, analysing and commentating on a broad range of businesses. Initially working in corporate finance at ING Barings and Hawkpoint Partners, she then moved into equities research at HSBC, covering the General Financials sector. Latterly, Mrs Hart headed up the Financials research teams at Bridgewell Group plc and Canaccord Genuity, specialising in wealth and asset managers.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2

Sarmad Zok
(Appointed 8 February 2011)

Chairman and Chief Executive Officer of Kingdom Hotel Investments (KHI) headquartered in Dubai, UAE and a non-executive director on the boards of Four Seasons Hotels and Resorts, AccorHotels, Mövenpick Hotels & Resorts Management and Kingdom Holding Company. Mr Zok is an active member of the boards of the hotel management companies he sits on, being directly engaged on strategy, product, operations/guest experience, growth and value creation. In his early career, Mr Zok worked at HVS International and Hilton International. He holds a Bachelor of Science in Hotel Management from the University of Surrey and a Masters of Arts in Property Valuation and Law from City University Business School in London.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2

Nick Pitts-Tucker
(Appointed 23 November 2010)

Currently acting in a number of non-executive roles, including container shipping and power generation company Atlas Corporation, Health Impact Partners and University of Northampton. He is also a Member of the Royal Society for Asian Affairs and a Fellow of the Royal Asiatic Society. These follow a 36 year career in Emerging Markets with Japanese, British and American banks, arranging corporate and project finance loans for borrowers in those markets.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2

Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 September 2020.

Principal activity

The Company carries on business as an investment trust and its principal activity is portfolio investment.

Investment objective

The Company's investment objective is to achieve long-term capital growth by investing in companies domiciled or listed in, or exercising the predominant part of their economic activity in, less developed countries. These countries (the "Frontiers Universe") are any country which is neither part of the MSCI World Index of developed markets, nor one of the eight largest countries by market capitalisation in the MSCI Emerging Markets Index as at 1 April 2018: being Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan (the "Selected Countries").

Strategy, business model and investment policy

Strategy

To achieve its objective, the Company invests globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, the Frontiers Universe.

Business model

The Company's business model follows that of an externally managed investment trust, therefore the Company does not have any employees and outsources its activities to third-party service providers, including BlackRock Fund Managers Ltd (BFM) ('the Manager') which is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager. The Manager has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)) ('the Investment Manager'). The contractual arrangements with, and assessment of, the Manager are summarised on pages 52 and 53. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. Other service providers include the Depositary and the Fund Accountant, The Bank of New York Mellon (International) Limited, and the Registrar, Computershare Investor Services PLC (Computershare). Details of the contractual terms with third-party service providers are set out in the Directors' Report.

Investment policy

The Company will seek to maximise total return and will invest globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, the Frontiers Universe. Performance is measured against the Company's Benchmark Index, which is a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index (net total return, USD). The Investment Manager is not constrained by the geographical weightings of the Benchmark Index and the Company's portfolio may frequently be overweight or underweight any particular country relative to the Benchmark Index. The Company will exit any investment as soon as reasonably practicable following the relevant company ceasing to be domiciled or listed in, or exercising the predominant part of its economic activity in, the Frontiers Universe.

In order to achieve the Company's investment objective, the Investment Manager selects investments through a process of fundamental and geopolitical analysis, seeking long-term appreciation from mispriced value or growth. The Investment Manager employs both a top-down and bottom-up approach to investing. It is expected that the Company will have exposure to between 35 to 65 holdings.

Where possible, investment will generally be made directly in the stock markets of the Frontiers Universe. Where the Investment Manager determines it appropriate, investment may be made through collective investment schemes, although such investments are not likely to be significant. Investment in other closed-ended investment funds admitted to the Official List will not exceed more than 10 per cent, in aggregate, of the value of the Gross Assets (calculated at the time of any relevant investment). It is intended that the Company will generally be invested in equity investments; however, the Investment Manager may invest in equity-related investments, such as derivatives or convertibles, and, to a lesser extent, in bonds or other fixed-income securities, including high risk debt securities. These securities may be below investment grade.

Due to national and/or international regulation, excessive operational risk, prohibitive costs and/or the time period involved in establishing trading and custody accounts in certain countries in the Frontiers Universe, the Company may be unable to invest (whether directly or through nominees) in companies in certain countries in the Frontiers Universe or, in the opinion of the Company and/or the Investment Manager, it may not be advisable to do so. In such circumstances, or in countries where acceptable custodial and other arrangements are not in place to safeguard the Company's investments, the Company intends to gain economic exposure to companies in such countries by investing indirectly through derivatives. Derivatives are financial instruments linked to the performance of another asset or security, such as promissory notes, contracts for difference, futures or traded options. Save as provided below, there is no restriction on the Company investing in derivatives in such circumstances or for efficient portfolio management purposes.

The Company may be geared through borrowings and/or by entering into derivative transactions (taking both long and short positions) that have the effect of gearing the Company's portfolio to enhance performance. The Company may also use borrowings for the settlement of transactions,

to facilitate share repurchases (where applicable) and to meet on-going expenses.

The respective limits on gearing (whether through the use of derivatives, borrowings or a combination of both) are set out below:

- Maximum gearing through the use of derivatives or borrowings to gain exposure to long positions in securities: 140 per cent of net assets
- Maximum exposure to short positions (for shorting purposes the Company may use indices or individual stocks): 10 per cent of net assets
- Maximum gross exposure (total long exposure plus total short exposure): 150 per cent of net assets
- Maximum net exposure (total long exposure minus total short exposure): 130 per cent of net assets

In normal circumstances, the Company will typically have net exposure of between 95 per cent and 120 per cent of net assets.

When investing via derivatives, the Company will seek to mitigate and/or spread its counterparty risk exposure by collateralisation and/or contracting with a potential range of counterparty banks, as appropriate, each of which shall, at the time of entering into such derivatives, have a Standard & Poor's credit rating of at least A- on its long-term senior unsecured debt.

The Company may invest up to 5 per cent of its Gross Assets (at the time of such investment) in unquoted securities. The Company will invest so as not to hold more than 15 per cent of its Gross Assets in any one stock or derivative position at the time of investment (excluding cash management activities).

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

A detailed analysis of the Company's portfolio has been provided on pages 23 to 30.

Investment approach and process

Portfolio construction is a continuous process, with the Investment Manager analysing constantly the impact of new ideas and information on the portfolio as a whole. The approach is flexible, varying through market and economic cycles to create a portfolio appropriate to the focused and unconstrained strategy of the Company. The macro environment is factored into all portfolio decisions. In general, macro analysis is a more dominant factor in investment decision making when the outlook is negative. The macro process is comprised of three parts: political assessment, macroeconomic analysis and appraisal of the valuation of a country's market, which can only take place with thorough analysis of stock specific opportunities.

The Investment Manager's research team generates ideas from a diverse range of sources. When permitted, these include frequent travel to the markets in which the Company invests and regular conversations with contacts that allow the Frontiers team to assess the entire eco-system around a company; namely competitors, suppliers, financiers, customers and regulators. The team leverages the internal research network sharing information between BlackRock's investment teams using a proprietary research application and database, and develops insights from macroeconomic analysis. The Board believes that BlackRock's research platform is a significant competitive advantage, both in terms of information specific to emerging and frontier market equities and through its global insights across asset classes. Access to companies is extremely good given BlackRock's market presence, which makes it possible to develop a detailed knowledge of a company and its management.

The research process focuses on cash flow and future earnings growth, as the investment team believes that this is ultimately the driver of share prices over time. The process is designed with the aim of identifying companies that can translate top line revenue growth to free cash flow and investing in these companies when the analysis suggests that the cash flow stream is undervalued. Financial models are developed focusing on company financials, particularly cash flow statements, rather than relying on third party research.

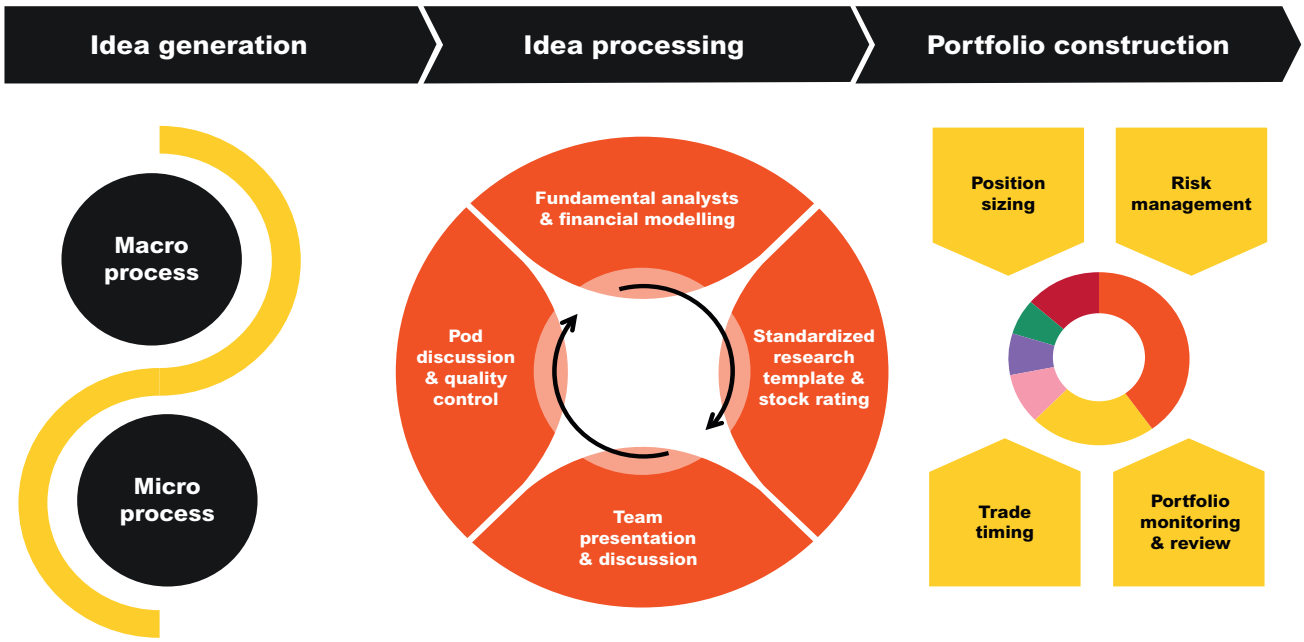
Environmental, Social and Governance (ESG) factors can be useful and relevant indicators for investment purposes and can help portfolio managers with their decision making through identifying potentially negative events or corporate behaviour. This results in the expectation that there will be an outperformance bias towards better governed companies in the long-run. The portfolio managers work closely with BlackRock's Investment Stewardship team (BIS) to assess the governance quality of companies and investigate any potential issues, risks or opportunities.

Specific to corporate governance, the portfolio management team leverages local expertise in its proprietary, risk-based approach. Financial statement integrity is central to the analysis, where BIS applies a range of systematic measures to highlight companies' accounting ratios in its assessment of balance sheet and earnings quality risks. For other categories under the corporate governance umbrella (e.g. audit quality, board accountability, executive pay and ownership and control), BIS flags risks based on internal research, including regulatory filings announcements and public news feeds. Governance (G) data from MSCI ESG Research Manager and other data sources may also be employed for supporting consideration. Environmental (E) and Social (S) factors are primarily assessed using BlackRock's propriety data and MSCI data, examining whether specific E&S exposure exists, and if so, to determine how well such exposure is being managed. Further information on the Manager's approach to ESG and Socially Responsible Investing can be found in the Corporate Governance statement on pages 60 to 64.

Strategic report

continued

The Investment Managers' research team monitors differing levels of risk throughout the process and believes that avoiding major downside events can generate significant outperformance over the long-term. Inputs from BlackRock's Risk & Quantitative Analysis Team (RQA) are an integral part of the investment process. RQA analyse market and portfolio risk factors including stress tests, correlations, factor returns, cross-sectional volatility and attributions. BlackRock's evaluation procedures and financial analysis of the companies within the portfolio also take into account environmental, social and governance matters and other business issues. The Company invests primarily on financial grounds to meet its stated objectives.



Risk-aware portfolios built from a structured research framework

Performance

Details of the Company's performance for the year are given in the Chairman's Statement on pages 5 to 8. The Investment Managers' Report on pages 11 to 16 includes a review of the main developments during the period, together with information on investment activity within the Company's portfolio.

Results and dividends

The results for the Company are set out in the Statement of Comprehensive Income on page 85. The total loss for the year, after taxation, was US$77,943,000 (2019: loss of US$6,681,000) of which the revenue return amounted to US$12,200,000 (2019: US$18,924,000) and the capital loss amounted to US$90,143,000 (2019: loss of US$25,605,000).

The Directors are recommending the payment of a final dividend of 4.25 cents per ordinary share in respect of the year ended 30 September 2020 (2019: final dividend of 4.75 cents) as set out in the Chairman's Statement on page 6.

Key performance indicators

The Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

Performance measured against the Benchmark Index

At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price for the Company and compares this to the return of the Company's benchmark. The Board considers this to be an important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to BlackRock. The Company's absolute and relative performance is set out in the performance record table on page 4.

Share rating and discount

The Directors recognise the importance to investors that the Company's share price should not trade at a significant discount or premium to NAV. Accordingly, the Directors monitor the share rating closely and will consider share repurchases in the market if the discount widens significantly, or the issue of shares to the market to meet demand to the extent that the Company's shares are trading at a premium. In addition, in accordance with the Directors' commitment at launch the Company will formulate and submit to shareholders proposals to provide them with an opportunity at each five year anniversary since launch, to realise the value of their ordinary shares at the prevailing NAV per share less applicable costs. The next opportunity will take place on or around the date of the Company's AGM in February 2021.

For the year under review the Company's shares traded at an average discount to the cum-income NAV of 3.2% and were trading at a discount of 3.7% on a cum-income basis at 8 December 2020. The Directors have the authority to buy back up to 14.99% of the Company's issued share capital (excluding treasury shares). The Directors sought and received shareholder authority at the last AGM to issue up to 10% of the Company's issued share capital (via the issue of new shares or sale of shares from treasury) on a non pre-emptive basis. Further information can be found in the Directors' Report on page 58.

The table below sets out the key KPIs for the Company.

Ongoing charges

The ongoing charges reflect those expenses which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective investment fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments and performance fees. The ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company.

Alternative Performance Measures (see Glossary on pages 128 to 131).

	Year ended 30 September 2020[1]		Year ended 30 September 2019[1]	
	£%	US$%	£%	US$%
Net asset value total return[2]	-23.8	-20.0	+4.2	-1.5
Share price total return[3]	-25.8	-22.1	-0.9	-6.3
Benchmark Index return[4]	-19.6	-15.6	+5.8	+0.0
Discount to cum income NAV		4.9		2.3
Ongoing charges[5]		1.36		1.39
Ongoing charges including performance fees		1.36		1.39

1 Based on an exchange rate of US$1.2928 to £1 at 30 September 2020 and US$1.2323 to £1 at 30 September 2019.
2 Calculated with dividends reinvested.
3 Calculated on a mid to mid basis with dividends reinvested.
4 The Benchmark Index is a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index.
5 Ongoing charges represent the management fee and all other operating expenses, excluding performance fees, finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items, as a % of average daily net assets.

The Board regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also reviews the performance of the Company against a peer group of Frontier Market open and closed-ended funds.

Principal risks

As required by the 2018 UK Code of Corporate Governance, the Board has in place a robust, ongoing process to identify, assess and monitor the principal and emerging risks of the Company, including those that they consider would threaten its business model, future performance, solvency or liquidity. The COVID-19 pandemic has given rise to unprecedented challenges for businesses across the globe and the Board has taken into consideration the risks posed to the Company by the crisis and incorporated these into the Company's risk register. Emerging risks are considered by the Board as they come into view and are incorporated into the existing review of the Company's risk register. Additionally, the Manager considers emerging risks in numerous forums and the Risk and Quantitative Analysis team produces an annual risk survey. Any material risks of relevance to the Company identified through the annual risk survey will be communicated to the Board.

A core element of this is the Company's risk register, which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk, and the quality of the controls operating to mitigate the risk. A residual risk rating is then calculated for each risk based on the outcome of this assessment. This approach allows the effect of any mitigating procedures to be reflected in the final assessment.

The risk register, its method of preparation and the operation of the key controls in BlackRock's and other third party service providers' systems of internal control are reviewed on a regular basis by the Company's Audit and Management Engagement Committee. In order to gain a more comprehensive understanding of BlackRock's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit and Management Engagement Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams, and reviews Service Organisation Control (SOC 1) reports from BlackRock and the Company's Custodian and Fund Accountant, The Bank of New York Mellon (International) Limited.

The current risk register includes a range of risks spread between performance risk, income/dividend risk, legal & regulatory risk, counterparty risk, operational risk, market risk, political risk and financial risk.

The principal risks and uncertainties faced by the Company during the year, together with the potential effects, controls and mitigating factors, are set out on pages 41 to 44.

Strategic report

continued

Principal Risk	Mitigation/Control
Investment Performance Risk	
The Board is responsible for: • setting the investment policy to fulfil the Company's objectives; and • monitoring the performance of the Company's Investment Manager and the strategy adopted. An inappropriate policy or strategy may lead to: • poor performance compared to the Company's benchmark, peer group or shareholder expectations; • a widening discount to NAV; • a reduction or permanent loss of capital; and • dissatisfied shareholders and reputational damage.	To manage this risk the Board: • regularly reviews the Company's investment mandate and long term strategy; • has set, and regularly reviews, the investment guidelines and has put in place appropriate limits on levels of gearing and the use of derivatives; • receives from the Investment Manager a regular explanation of stock selection decisions, portfolio gearing and any changes in gearing and the rationale for the composition of the investment portfolio; • receives from the Investment Manager regular reporting on the portfolio's exposure through derivatives, including the extent to which the portfolio is geared in this manner and the value of any short positions; • monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy; and • regularly reviews detailed performance attribution analysis.
Income/Dividend Risk	
The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. In addition, any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders.	Although the Company does not have a policy of actively seeking income, the Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting including any impact on account of dividend cancellations due to the COVID-19 pandemic. The Company also has a revenue reserve and powers to pay dividends from capital which could potentially be used to support the Company's dividend if required.
Legal and Regulatory Risk	
The Company has been approved by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. Any breach of the relevant eligibility conditions could lead to the Company losing its investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio. In such event the investment returns of the Company may be adversely affected. Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010. Amongst other relevant laws and regulations, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the Market Abuse Act, the UK Listing Rules and the Disclosure Guidance & Transparency Rules.	The Investment Manager monitors investment movements, the level of forecast income and expenditure and the amount of proposed dividends, if any, to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached and the results are reported to the Board at each meeting. Following authorisation under the Alternative Investment Fund Managers' Directive (AIFMD), the Company and its appointed Alternative Investment Fund Manager (AIFM) are subject to the risks that the requirements of this Directive are not correctly complied with. The Board and the AIFM also monitor changes in government policy and legislation which may have an impact on the Company. Compliance with the accounting standards applicable to quoted companies and those applicable to investment trusts are also regularly monitored to ensure compliance. The Company Secretary and the Company's professional advisers monitor developments in relevant laws and regulations and provide regular reports to the Board in respect of the Company's compliance.

Principal Risk	Mitigation/Control
Counterparty Risk	
The Company's investment policy also permits the use of both exchange-traded and over-the-counter derivatives (including contracts for difference). The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments.	Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties. The Board reviews the controls put in place by the Investment Manager to monitor and to minimise counterparty exposure, which include intra-day monitoring of exposures to ensure that these are within set limits.
Operational Risk	
In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of BlackRock (the Investment Manager and AIFM), and of The Bank of New York Mellon (International) Limited (the Depositary and Fund Accountant), which ensures safe custody of the Company's assets and maintains the Company's accounting records. The Company's share register is maintained by the Registrar, Computershare. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records, as a result of a cyberattack or otherwise, could impact the monitoring and reporting of the Company's financial position. The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems.	The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers and compliance with the investment management agreement on a regular basis. The Fund Accountant's and the Manager's internal control processes are regularly tested and monitored throughout the year and are evidenced through their Service Organisation Control (SOC 1) reports, which are subject to review by an Independent Service Assurance Auditor. The SOC 1 reports provide assurance in respect of the effective operation of internal controls. The Company's assets are subject to a strict liability regime and in the event of a loss of financial assets held in custody, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate that the loss was a result of an event beyond its reasonable control. The Board considers succession arrangements for key employees of the Manager and the Board also considers the business continuity arrangements of the Company's key service providers on an ongoing basis and reviews these as part of its review of the Company's risk register. In respect of the unprecedented and emerging risks posed by the COVID-19 pandemic in terms of the ability of service providers to function effectively, the Board has received reports from key service providers setting out the measures that they have put in place to address the crisis, in addition to their existing business continuity framework. Having considered these arrangements and reviewed service levels since the crisis has evolved, the Board are confident that a good level of service has and will be maintained. The Board also receives regular reports from BlackRock's internal audit function.
Political Risk	
Investments in the Frontiers Universe may include a higher element of risk compared to more developed markets due to greater political instability. Political and diplomatic events in the Frontiers Universe where the Company invests (for example, governmental instability, corruption, adverse changes in legislation or other diplomatic developments such as the outbreak of war or imposition of sanctions) could substantially and adversely affect the economies of such countries or the value of the Company's investments in those countries.	The Investment Manager mitigates this risk by applying stringent controls over where investments are made and through close monitoring of political risks. The Investment Manager's approach to filtering the investment universe takes account of the political background to regions and is backed up by rigorous stock specific research and risk analysis, individually and collectively, in constructing the portfolio. The management team has a wide network of business and political contacts which provides economic insights with public and private bodies. This enables the Investment Manager to assess potential investments in an informed and disciplined way, as well as being able to conduct regular monitoring of investments once made. However, given the nature of political risk, all investments will be exposed to a degree of risk and the Investment Manager will ensure that the portfolio remains diversified across countries to mitigate the risk. The Board has specifically considered the potential impact of the Brexit process and associated trade negotiations between the UK and the EU and has determined that given the markets in which the Company invests, any impact would not represent a material threat to its strategy or business model, notwithstanding that there may be legal, regulatory or tax implications.

Strategic report

continued

Principal Risk	Mitigation/Control
Financial Risk	
The Company's investment activities expose it to a variety of financial risks which include foreign currency risk, liquidity risk, currency risk and interest rate risk.	Details of these risks are disclosed in note 18 to the financial statements, together with a summary of the policies for managing these risks.
Market Risk	
Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements. The securities markets of the Frontiers Universe are not as large as the more established securities markets and have substantially less trading volume, which may result in a lack of liquidity and higher price volatility. There are fewer attractive investment opportunities in Frontier Markets and this may lead to a delay in investment and may affect the price at which such investments may be made and reduce potential investment returns for the Company. There is also exposure to currency, market and political risk due to the location of the operation of the businesses in which the Company may invest. As a consequence of this and other market factors the Company may invest in a concentrated portfolio of shares and this focus may result in higher risk when compared to a portfolio that has spread or diversified investments more broadly. Corruption also remains a significant issue across the Frontiers Universe and the effects of corruption could have a material adverse effect on the Company's performance. Accounting, auditing and financial reporting standards and practices and disclosure requirements applicable to many companies in developing countries may be less rigorous than in developed markets. As a result there may be less information available publicly to investors in these securities, and such information as is available is often less reliable. The Company also gains exposure to the Frontiers Universe by investing indirectly through Participatory Notes (P-Notes) which presents additional risk to the Company as P-Notes are uncollateralised resulting in the Company being subject to full counterparty risk via the P-Note issuer. P-Notes also present liquidity issues as the Company, being a captive client of a P-Note issuer, may only be able to realise its investment through the P-Note issuer and this may have a negative impact on the liquidity of the P-Notes which does not correlate to the liquidity of the underlying security.	Market risk represents the risks of investment in a particular market, country or geographic region. Therefore, this is largely outside of the scope of the Board's control. However, the Board carefully considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. Market risk is also mitigated through portfolio diversification across countries and regions. The Board monitors the implementation and results of the investment process with the Investment Manager regularly. The Investment Manager regularly reports to the Board on relative market risks associated with investment in such regions. Further information is provided under 'Political Risk'. The Board recognises the benefits of a closed-end fund structure in extremely volatile markets such as those affected by the COVID-19 pandemic. Unlike open-ended counterparts, closed-end funds are not obliged to sell-down portfolio holdings at low valuations to meet liquidity requirements for redemptions. During times of elevated volatility and market stress, the ability of a closed-end fund structure to remain invested for the long term enables the Portfolio Managers to adhere to disciplined fundamental analysis from a bottom-up perspective and be ready to respond to dislocations in the market as opportunities present themselves.

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve months referred to by the 'Going Concern' guidelines. The Board is cognisant of the uncertainty surrounding the potential duration of the COVID-19 pandemic, its impact on the global economy and the prospects for many of the Company's portfolio holdings. Notwithstanding this crisis, and given the factors stated below, the Board expects the Company to continue to meet its liabilities as they fall due for the foreseeable future and has therefore conducted this review for a period of five years. This is generally the investment holding period investors consider while investing in the frontier market sector. The Board also believes that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic. The Board conducted this review for the period up to the AGM in 2025.

In determining this period, the Board took into account the Company's investment objective to achieve long-term capital growth and the Company's projected income and expenditure. It is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound.

When the Company was launched in late 2010, the Board made a commitment that before the Company's fifth AGM and at five yearly intervals thereafter, it would formulate and submit to shareholders proposals to provide shareholders with an opportunity to realise the value of their ordinary shares at the applicable NAV per ordinary share less applicable costs. The Board is putting proposals to shareholders this year which it is intended will be voted on at the forthcoming AGM in early 2021. The Board has reviewed the potential impact that such an offer may have on the Company's going concern assessment, and in particular has considered feedback received from the Company's corporate broker regarding shareholder demand for the Company's shares and investor appetite for the Company's investment strategy. The corporate broker remains in regular communication with shareholders and, based on shareholder views at the time of publication of this report, there is no indication that demand to exit will be at a level which would jeopardise the ongoing viability of the Company.

In making the longer term viability assessment the Board has considered the following factors:

- The Company's principal risks as set out on pages 41 to 44;
- The level of ongoing demand for the Company's ordinary shares;
- The impact of a significant fall in Frontier equity markets on the value of the Company's investment portfolio, factoring in the impact of the recent volatility related to the COVID-19 pandemic;
- The ongoing relevance of the Company's investment objective, business model and investment policy in the current environment;
- The operational resilience of the Company and its key service providers and their ability to continue to provide a good level of service for the foreseeable future; and
- The effectiveness of business continuity plans in place for the Company and key service providers.

The Board has also considered a number of financial metrics, including:

- The level of current and historic ongoing charges incurred by the Company;
- The Company's borrowings and its ability to meet its liabilities as they fall due;
- The premium or discount to NAV;
- The level of income generated by the Company since the outbreak of COVID-19;
- Future income forecasts; and
- The liquidity of the Company's portfolio in the light of the impact of COVID-19 on global markets.

The Company is an investment company with a relatively liquid equity portfolio (as at 30 September 2020, 97.3% of the equity portfolio was capable of being realised in less than 20 days) and largely fixed overheads (excluding performance fees) which comprise a very small percentage of net assets (1.36%). In addition, any performance fees are capped at 1% of gross assets in years where the NAV per share has fallen or 2.5% of gross assets in years where the NAV per share has increased. Therefore, the Board has concluded that even in exceptionally stressed operating conditions, the Company would comfortably be able to meet its ongoing operating costs as they fall due.

However, investment companies may face other challenges, such as regulatory changes and the tax treatment of investment trusts, or a significant decrease in size due to substantial share buy-back activity or market falls, which may result in the Company no longer being of sufficient market capitalisation to represent viable investment propositions or no longer being able to continue in operation.

The Board has also considered the adverse impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk. They have determined that although there are a number of potential risks associated with the Brexit process, any transition following any agreement, and the legal, fiscal and regulatory landscape thereafter, they do not believe that this represents a material threat to the Company's strategy and business model, nor do they believe that the Investment Manager would be materially impeded in achieving the Company's investment objective. In addition, the level of complexity, uncertainty and

Strategic report
continued

general lack of information present a number of potential outcomes and scenarios, which may or may not prove to be malign or benign and/or supportive of the Investment Manager in achieving the Company's investment objective.

The Board has determined that the factors considered are applicable to the period up to the AGM in 2025 and beyond.

Based on the results of their analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Promoting the success of the BlackRock Frontiers Investment Trust plc

New regulations (The Companies (Miscellaneous Reporting) Regulations 2018) require directors to explain more fully how they have discharged their duties under section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of members as a whole. This enhanced disclosure covers how the Board has engaged with and understands the views of stakeholders and how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions.

As the Company is an externally managed investment company and does not have any employees or customers, the Board considers the main stakeholders in the Company to be the shareholders, key service providers (being the Manager and Investment Manager, the Custodian, Depositary, Registrar and Broker) and investee companies.

A summary of the key areas of engagement undertaken by the Board with its key stakeholders in the year under review and how Directors have acted upon this to promote the long term success of the Company are set out in the table below.

Stakeholders

Shareholders	Manager and Investment Manager	Other key service providers	Investee companies
Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering good working relationships with shareholders and on understanding the views of shareholders in order to incorporate them into the Board's strategy and objectives in delivering long-term growth and income.	The Board's main working relationship is with the Manager, who is responsible for the Company's portfolio management (including asset allocation, stock and sector selection) and risk management, as well as ancillary functions such as administration, secretarial, accounting and marketing services. The Manager has sub-delegated portfolio management to the Investment Manager. Successful management of shareholders' assets by the Investment Manager is critical for the Company to successfully deliver its investment strategy and meet its objective. The Company is also reliant on the Manager as AIFM to provide support in meeting relevant regulatory obligations under the AIFMD and other relevant legislation.	In order for the Company to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, the Board relies on a diverse range of advisors for support in meeting relevant obligations and safeguarding the Company's assets. For this reason the Board considers the Company's Custodian, Depositary, Registrar and Broker to be stakeholders. The Board maintains regular contact with its key external providers and receives regular reporting from them through the Board and committee meetings, as well as outside of the regular meeting cycle.	Portfolio holdings are ultimately shareholders' assets, and the Board recognises the importance of good stewardship and communication with investee companies in meeting the Company's investment objective and strategy. The Board monitors the Manager's stewardship arrangements and receives regular feedback from the Manager in respect of meetings with the management of portfolio companies.

Area of Engagement

	Issue	Engagement	Impact
Responsible investing	The Board is committed to promoting the role and success of the Company in delivering on its investment mandate to shareholders over the long term. However, the Board recognises that securities within the Company's investment remit may involve significant additional risk due to the political volatility and environmental, social and governance concerns facing many of the countries in the Company's investment universe. These ethical and sustainability issues should be a key focus of our Manager's research. More than ever, consideration of sustainable investment is a key part of the investment process and must be factored in when making investment decisions. The Board also have responsibility to shareholders to ensure that the Company's portfolio of assets are invested in line with the stated investment objective and in a way that ensures an appropriate balance between spread of risk and portfolio returns.	The Board believes that responsible investment and sustainability are important to the longer term delivery of growth in capital and income and has worked very closely with the Manager throughout the year to regularly review the Company's performance, investment strategy and underlying policies and to understand how ESG considerations are integrated into the investment process. The Manager's approach to the consideration of ESG factors in respect of the Company's portfolio, as well as its engagement with investee companies to encourage the adoption of sustainable business practices which support long-term value creation, are kept under review by the Board. The Manager reports to the Board in respect of its consideration of ESG factors and how these are integrated into the investment process; a summary of BlackRock's approach to ESG and sustainability is set out on pages 50 to 51. The Investment Manager's engagement and voting policy is detailed on page 54 and on the BlackRock website.	The Board and the Manager believe there is a positive correlation between strong ESG practices and investment performance. Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement on page 5. The portfolio activities undertaken by the Manager, can be found in the Investment Manager's Report on pages 11 to 16.
Discount Strategy	The Board believes that strong performance and an attractive dividend yield enhances demand for the Company's shares, which will help to maintain the Company's discount at as close to the underlying NAV as possible. The dividend is funded out of current year revenue and revenue reserves if current year revenue is insufficient. The Company does not have a policy of seeking income, however the portfolio has, to date, continued to deliver a level of income such that the Board is able to pay an attractive dividend.	The Manager reports total return performance statistics to the Board on a regular basis, along with the portfolio yield and the impact of dividends paid on brought forward distributable reserves. The Board reviews the Company's discount/premium to NAV on a regular basis and holds regular discussions with the Manager and the Company's broker regarding the discount/premium level.	The average discount for the year to 30 September 2020 was 3.2%. During the year the Company's share price has traded at a maximum discount of 9.4% and a maximum premium of 5.6%.

Strategic report

continued

Area of Engagement

	Issue	Engagement	Impact
Service levels of third party providers	The Board acknowledges the importance of ensuring that the Company's principal suppliers are providing a suitable level of service: including the Manager in respect of investment performance and delivering on the Company's investment mandate; the Custodian and Depositary in respect of their duties towards safeguarding the Company's assets; the Registrar in its maintenance of the Company's share register and dealing with investor queries and the Company's Brokers in respect of the provision of advice and acting as a market maker for the Company's shares.	The Manager reports to the Board on the Company's performance on a regular basis. The Board carries out a robust annual evaluation of the Manager's performance, their commitment and available resources. The Board performs an annual review of the service levels of all third party service providers and concludes on their suitability to continue in their role. The Board receives regular updates from the AIFM, Depositary, Registrar and Brokers on an ongoing basis. Since the year end, in light of the challenges presented by the COVID-19 pandemic to the operation of business across the globe, the Board has worked closely with the Manager to gain comfort that relevant business continuity plans are operating effectively for all of the Company's service providers.	All performance evaluations were performed on a timely basis and the Board concluded that all third party service providers, including the Manager, Custodian, Depositary and Fund administrator were operating effectively and providing a good level of service. The level of fee paid to the Depositary was reviewed and was reduced from 1.15 basis points per annum of net assets to rate of 0.95 basis points per annum with effect from 1 January 2019. The Board has received updates in respect of business continuity planning from the Company's Manager, Custodian, Depositary, Fund administrator, Brokers, Registrar and printers, and is confident that arrangements are in place to ensure that a good level of service will continue to be provided despite the impact of the COVID-19 pandemic.
Board composition	The Board is committed to ensuring that its own composition brings an appropriate balance of knowledge, experience and skills, and that it is compliant with best corporate governance practice under the new UK Code, including guidance on tenure and the composition of the Board's committees.	Over recent years the Board undertook a review of succession planning arrangements and identified the need for action given that, if no action were taken, a majority of Board Directors would have had tenure in excess of nine years. The Board recognises the benefits of diversity and regular refreshment, but does not believe tenure alone should determine whether a Director remains independent. A search for a new Director was undertaken in 2019 and following a thorough search and selection process Mrs Katrina Hart was appointed on 1 October 2019. Mr Nick Pitts-Tucker subsequently advised the Board of his desire to retire at the 2021 AGM and will no longer be a Director of the Company at its conclusion. The Board, discharging the duties of a Nomination Committee will continue to keep the composition of the Board under regular review. If it is determined that a new appointment to the Board is required, it will agree the selection criteria, which will take into account the need to maintain a suitable balance of skills, knowledge, independence and diversity, including that of gender. All Directors are subject to a formal evaluation process on an annual basis (more details and the conclusions in respect of the 2020 evaluation process are given on page 62). All Directors stand for re-election by shareholders annually. Shareholders may attend the AGM and raise any queries in respect of Board composition or individual Directors in person, or may contact the Company Secretary or the Chairman using the details provided on page 122 if they wish to raise any issues.	The Directors are not aware of any issues that have been raised directly by shareholders in respect of Board composition in 2020. Details for the proxy voting results in favour and against individual Directors' re-election at the 2020 AGM are given on the Company's website at www.blackrock.com/uk/brfi.

Area of Engagement

	Issue	Engagement	Impact
Shareholders	Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.	The Board is committed to maintaining open channels of communication and to engage with shareholders. Notwithstanding the challenges posed by the COVID-19 pandemic, in normal operating circumstances the Company welcomes and encourages attendance and participation from shareholders at its Annual General Meetings. Shareholders therefore have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Annual Report and Half-Yearly Financial Report are available on the BlackRock website and are also circulated to shareholders either in printed copy or via electronic communications. In addition, regular updates on performance, monthly factsheets, the daily NAV and other information are also published on the website at www.blackrock.com/uk/brfi. The Board also works closely with the Manager to develop the Company's marketing strategy, with the aim of ensuring effective communication with shareholders in respect of the investment mandate and objective. Unlike trading companies, one-to-one shareholder meetings usually take the form of a meeting with the portfolio manager as opposed to members of the Board. As well as attending regular investor meetings the portfolio managers hold regular discussions with wealth management desks and offices to build on the case for, and understanding of, long-term investment opportunities in Frontier Markets. The Manager also coordinates public relations activity, including meetings between the portfolio managers and relevant industry publications to set out their vision for the portfolio strategy and outlook for the region. The Manager releases monthly portfolio updates to the market to ensure that investors are kept up to date in respect of performance and other portfolio developments, and maintains a website on behalf of the Company that contains relevant information in respect of the Company's investment mandate and objective. If shareholders wish to raise issues or concerns with the Board, they are welcome to do so at any time. The Chairman is available to meet directly with shareholders periodically to understand their views on governance and the Company's performance where they wish to do so. He may be contacted via the Company Secretary whose details are given on page 122.	The Board values any feedback and questions from shareholders ahead of and during Annual General Meetings in order to gain an understanding of their views and will take action when and as appropriate. Feedback and questions will also help the Company evolve its reporting, aiming to make reports more transparent and understandable. Feedback from all substantive meetings between the Investment Manager and shareholders will be shared with the Board. The Directors will also receive updates from the Company's broker on any feedback from shareholders, as well as share trading activity, share price performance and an update from the Investment Manager. Investors were also impressed with the wide pool of resource available through BlackRock's Global Emerging Markets team, and the rigorous 'bottom-up/top-down' investment approach. Investors were concerned over the volatility of the Frontier Markets region and market liquidity.

Strategic report
continued

Sustainability and our ESG policies

The Board's approach

Environmental, social and governance (ESG) issues can present both opportunities and threats to long-term investment performance. The securities within the Company's investment remit may involve significant additional risk due to the political volatility and ESG concerns facing many of the countries in the Company's investment universe. These ethical and sustainability issues are a key focus of the Board, and your Board is committed to a diligent oversight of the activities of the Manager in these areas. The Board believes effective engagement with management is, in most cases, the most effective way of driving meaningful positive change in the behaviour of investee company management. This is particularly true for the Company's Manager given the extent of BlackRock's shareholder engagement and BlackRock's capacity to vote against management when they fall short of its expectations. As well as the influence afforded by its sheer scale, the Board believes that BlackRock is well placed as Manager to fulfil these requirements due to the integration of ESG into its investment processes, the emphasis it places on sustainability, its collaborative approach in its investment stewardship activities and its position in the industry as one of the largest suppliers of sustainable investment products in the global market. More information on BlackRock's approach to sustainability is set out on page 51.

The importance of considering ESG when investing in the Frontiers Sector

Environmental	Social	Corporate Governance
A key component of our focus on environmental risks and opportunities is the impact of climate change on companies' business models and strategies over time. Our approach on climate is to focus our efforts on sectors and companies where climate change poses the greatest material risk to our clients' investments.	BlackRock believes it is vital that companies maintain their social licence to operate. By this, BlackRock means that companies maintain broad acceptance from their employees, stakeholders, local communities and the national government. The portfolio management team's site visits to companies' assets provide them with valuable insight into these issues which often cannot be properly understood from company reports.	In conjunction with the BlackRock Investment Stewardship team, the portfolio management team actively engages with companies on a wide range of governance issues including board independence, executive compensation, shareholder protection and timely disclosure.

Future prospects

The Board's main focus is on the achievement of capital growth and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in both the Chairman's Statement on pages 5 to 8 and in the Investment Manager's Report on pages 11 to 16.

Social, community and human rights issues

As an investment trust, the Company has no direct social or community responsibilities. However, the Company believes that it is in shareholders' interests to consider environmental, social and governance factors and human rights issues when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out above and the Manager's approach is described on page 51.

Modern slavery

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chain, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Directors, gender representation and employees

The Directors of the Company on 30 September 2020, all of whom held office throughout the year, are set out in the Directors' biographies section on pages 35 to 37. As at the date of this report, the Board consists of four men and one woman constituting 20% female Board representation. The Company does not have any employees.

By order of the Board

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
10 December 2020

Responsible ownership: BlackRock's approach to sustainable investing

Responsible ownership – BlackRock's approach

As a fiduciary to its clients, BlackRock has built its business to protect and grow the value of clients' assets. From BlackRock's perspective, business-relevant sustainability issues can contribute to a company's long-term financial performance, and thus further incorporating these considerations into the investment research, portfolio construction, and stewardship process can enhance long-term risk adjusted returns. By expanding access to data, insights and learning on material ESG risks and opportunities in investment processes across BlackRock's diverse platform, BlackRock believes that the investment process is greatly enhanced. The Company's portfolio managers work closely with BlackRock's Investment Stewardship team to assess the governance quality of companies and sustainable business practices, and investigate any potential issues, risks or opportunities. The portfolio managers use ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio.

BlackRock's approach to sustainable investing

Considerations about sustainability have been at the centre of BlackRock's investment approach for many years and the firm offers more than 200 sustainable products and solutions. BlackRock believes that climate change is now a defining factor in companies' long-term prospects, and that it will have a significant and lasting impact on economic growth and prosperity. BlackRock believes that climate risk now equates to investment risk, and this will drive a profound reassessment of risk and asset values as investors seek to react to the impact of climate policy changes. This in turn is likely to drive a significant reallocation of capital away from traditional carbon intensive industries over the next decade.

In January 2020, with this transition in mind, BlackRock announced that it would accelerate its sustainable investing efforts and make a number of enhancements to its investment management and risk processes, including the following:

- Heightening scrutiny on sectors and issuers with a high ESG risk, such as thermal coal producers, due to the investment risk they present to client portfolios;
- Putting ESG analysis at the heart of Aladdin (BlackRock's proprietary trading platform) and using proprietary tools to help analyse ESG risk; and
- Placing oversight of ESG risk with BlackRock's Risk and Quantitative Analysis group (RQA), to ensure that ESG risk is given increased weighting as a risk factor and is analysed with the same weight given to traditional measures such as credit or liquidity risk.

Investment Stewardship

BlackRock also places a strong emphasis on sustainability in its stewardship activities and has engaged with companies on sustainability-related questions for a number of years. This year we made an explicit ask that companies align their disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) framework and the Sustainability Accounting Standards Board (SASB) standards. This includes each company's plan for operating under a scenario where the Paris Agreement's goal of limiting global warming to less than two degrees is fully realised, as expressed by the TCFD guidelines. To this end, BlackRock joined Climate Action 100+, a natural progression in our work to advance sustainable business practices aligned with TCFD. BlackRock has aligned its engagement and stewardship priorities to UN Sustainable Development Goals (including Gender Equality and Affordable and Clean Energy). BlackRock is committed to voting against management to the extent that they have not demonstrated sufficient progress on sustainability issues.

BlackRock is committed to transparency in terms of disclosure on its engagement with companies and voting rationales. This year, BlackRock voted against or withheld votes from 5,130 directors at 2,809 different companies driven by concerns regarding director independence, executive compensation, insufficient progress on board diversity, and overcommitted directors reflecting our intensified focus on sustainability risks. More details about BlackRock's investment stewardship process can be found on BlackRock's website at www.blackrock.com/corporate/about-us/investment-stewardship. In terms of its own reporting, BlackRock believes that the SASB provides a clear set of standards for reporting sustainability information across a wide range of issues, from labour practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the TCFD provides a valuable framework.

BlackRock recognise that reporting to these standards requires significant time, analysis, and effort. BlackRock's own SASB-aligned disclosure is available on its website at www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blackrock-2019-sasb-disclosure.pdf, and BlackRock is committed to publishing a detailed TCFD-aligned report in 2021 on its 2020 activities. More information on BlackRock's policies on Corporate Sustainability can be found on BlackRock's website at www.blackrock.com/corporate/sustainability.

The above forms part of the Strategic Report.

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2020.

Status of the Company

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive. The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers) Regulations ('the Regulations') and is required to be authorised by the Financial Conduct Authority ('FCA') and must comply with a number of obligations, including the appointment of an AIFM and a depositary to carry out certain functions. The AIFM must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements. Additional disclosures to both shareholders and the FCA are also required. Further details are set out on the Company's website at www.blackrock.com/uk/brfi, the Regulatory disclosures section on pages 126 and 127 and in the notes to the financial statements on pages 102 to 115.

The Company is a qualifying company for the purposes of Stocks & Shares ISA.

The Common Reporting Standard

On 1 January 2016 the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced and is applicable to the Company.

The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. The Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held in CREST, entered on to the share register will be sent a certification form for the purposes of collecting this information.

Shareholder Rights Directive II

The Shareholder Rights Directive II took effect from 10 July 2019 with some transitional provisions. It encourages long-term shareholder engagement and transparency between companies and shareholders. In substantive terms the changes are small for investment companies and the majority of requirements apply to the Company's remuneration policy and disclosure of processes, as well as related party transactions. There are also additional rules for Alternative Investment Fund Managers and proxy advisers.

GDPR

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation ("GDPR") on 25 May 2018. The Board has sought and received assurances from its third-party service providers that they have taken appropriate steps to ensure compliance with the new regulation. The Company's 'Data Privacy Policy' can be found on the Company's website at www.blackrock.com/uk/brfi.

Facilitating retail investments

The Company currently conducts its affairs so that its securities can be recommended by independent financial advisers to retail investors in accordance with the FCA rules in relation to non-mainstream pooled investments and intends to continue to do so for the foreseeable future. The securities are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

Future prospects

Commentary on future prospects for the Company is set out in both the Chairman's Statement on pages 5 to 8 and the Investment Manager's Report on pages 11 to 16.

Dividends

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 40 and in the Chairman's Statement on page 6.

Investment management and administration

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014, having been authorised as an AIFM by the FCA on 1 May 2014. The management contract is terminable by either party on six months' notice.

BlackRock Investment Management (UK) Limited (BIM (UK)) continues to act as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year. BFM receives an annual fee of 1.10% of the Company's gross asset value plus a performance fee equal to 10% of any increase in the NAV at the end of a performance period over and above what would have been achieved had the cumulative NAV since Admission increased in line with the Benchmark Index (all calculations on a US Dollar basis with dividends reinvested).

The performance fee payable in any year is capped at 2.5% or 1% of the gross assets of the Company if there is an increase or decrease in the NAV per share at the end of the relevant performance period respectively, and is also subject to a high watermark such that any performance fee payable is only payable to the extent that the cumulative relative outperformance of the NAV is greater than what would have been achieved had the NAV increased in line with the Benchmark Index (US Dollar basis with dividends reinvested) since the last date in relation to which a performance fee had previously been paid. For the year ended 30 September 2020 no performance fee was payable (2019: Nil). Further details are given in note 4 on page 93. The Board believes the current fee structure and performance fee to be appropriate for an investment company in this sector.

The Company contributes to a focused investment trust sales and marketing initiative operated by BIM (UK) on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represented 0.025% per annum of its net assets of US$413,801,000 (£311,617,000) as at 31 December 2019 and this contribution is matched by BIM (UK). For the year ended 30 September 2020, US$116,000 (excluding VAT) has been accrued in respect of these initiatives. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm.

Transaction with the Manager

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc. a company incorporated in Delaware, USA. During the period, PNC Financial Services Group, Inc. (PNC) was a substantial shareholder in BlackRock, Inc. PNC did not provide any services to the Company during the financial years ended 30 September 2020 and 2019. On 11 May 2020, PNC announced its intent to sell its investment in BlackRock, Inc. through a registered offering and related buyback by BlackRock, Inc.

Appointment of the manager

The Company is required under the AIFMD to appoint an AIFMD compliant depositary. The Board considers the arrangements for the provision of management services to the Company on an ongoing basis and a formal review is conducted annually. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The Board believes that the appointment of BFM as AIFM, and the delegation of investment management services to BIM (UK), on the terms disclosed above, is in the interests of shareholders as a whole given BlackRock's proven track record in successfully investing in Frontier Markets.

Depositary and custodian

The Company appointed BNY Mellon Trust & Depositary (UK) Limited (BNYMTD) with effect from 2 July 2014. With effect from 1 November 2017, the role of the Depositary was transferred by operation of a novation agreement from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited (the Depositary).

The Depositary's duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depositary under AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depositary receives a fee payable at 0.0095% of the net assets of the Company. The Company has appointed the Depositary in a tripartite agreement, to which BFM as AIFM is also a signatory. The Depositary is also liable for the loss of financial instruments held in custody.

Under the depositary agreement, custody services in respect of the Company's assets are provided by The Bank of New York Mellon (International) Limited. BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depositary agreement is subject to 90 days' notice of termination by any party.

Registrar

The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration, shareholder documentation, the Common Reporting Standard and the Foreign Account Tax Compliance Act.

The Registrar receives a fixed fee plus disbursements and VAT per annum. Fees in respect of corporate actions are negotiated on an arising basis.

Directors' report

continued

CFD counterparties

The Company uses derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes, to gain exposure to the Frontiers Universe in certain circumstances. Citibank, HSBC, Goldman Sachs, Morgan Stanley, Credit Suisse and Bank of America Merrill Lynch act as contracts for difference (CFD) counterparties to the Company under separate International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements are terminable subject to 30 days' notice by either party.

Change of control

There are no agreements to which the Company is a party that might be affected by a change in control of the Company.

Exercise of voting rights in investee companies

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BIM (UK)'s approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BIM (UK) believes that sound corporate governance practices by companies contribute to their long-term financial performance and thus to better risk-adjusted returns. BIM (UK)'s proxy voting process is led by its Corporate Governance and Responsible Investment team, located in six offices around the world. In addition to its own professional staff, the Corporate Governance and Responsible Investment team draws upon the expertise of BIM (UK)'s portfolio managers, researchers and other internal and external resources globally.

BIM (UK)'s global corporate governance and engagement principles are published on the website at:

https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility

The principles set out BIM (UK)'s views on the overarching features of corporate governance that apply in all markets. For each region, BIM (UK) also publishes market-specific policies, which are updated every year to ensure that they remain relevant.

The voting guidelines are principles based and not prescriptive because BIM (UK) believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BIM (UK) believe in their professional judgement will best protect the economic interests of their clients.

During the year under review, the Investment Manager voted on 637 proposals at 60 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well-run companies, but voted against 83 (13.0%) management resolutions and abstained from voting on 20 (3.1%) resolutions. Most of the votes against were in respect of proposals which contained insufficient disclosure for the Investment Manager to make an informed decision, or in respect of executive remuneration packages which were considered to be poorly structured.

Principal risks

The key risks faced by the Company are set out in the Strategic Report on pages 41 to 44.

Going concern

As described in the viability statement on pages 45 and 46 of the annual report, the Board is mindful of uncertainties facing the Company, notably the vote on the 5 yearly exit opportunity at the forthcoming AGM and the associated potential Tender Offer of up to 100% of the Company. It is also mindful of the uncertainty surrounding the duration of the COVID-19 pandemic, the significant market volatility and the wider impact on the global economy. The Board has reviewed the potential impact that such an offer may have on the Company's going concern assessment, and in particular has considered feedback received from the Company's corporate broker regarding shareholder demand for the Company's shares and investor appetite for the Company's investment strategy. The corporate broker remains in regular communication with shareholders and, based on shareholder views at the time of publication of this report, there is no indication that demand to exit will be at a level which would jeopardise the ongoing viability of the Company.

Notwithstanding recent market turbulence and the uncertainties set out above, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound, and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic.

The financial statements of the Company have been prepared on a going concern basis. In reaching this conclusion, the Directors have considered the nature and liquidity of the portfolio, the Company's investment objectives, the Company's projected and actual income and expenditure and its ongoing charges of approximately 1.36% of net assets (excluding performance fees). The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, that it is able to meet its liabilities as they fall due and that it is financially sound.

Directors

The Directors of the Company as at 30 September 2020 and their biographies are set out on pages 35 to 37. Details of Directors' interests in the ordinary shares of the Company are set out on page 66 of the Directors' Remuneration Report. All the Directors, held office throughout the year under review. The Company's Articles of Association ('the Articles') require that one third of the Directors retire by rotation each year and seek re-election at the AGM and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors

are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board. Having given due regard to developing corporate governance and best practice, all Directors have agreed to retire and submit themselves for re-election annually.

Accordingly, all Directors will retire at the forthcoming AGM, and being eligible, will offer themselves for re-election. The Board is conscious of the need to maintain a degree of continuity, and believes that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. The Board believes that the performance of all Directors continues to be effective and that they demonstrate a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. The Board, having considered the retiring Directors' performance within the annual Board performance evaluation process, hereby recommends that shareholders vote in favour of each Director's proposed re-election. Further information on the respective skills and experience of each member of the Board can be found on page 57.

There were no contracts subsisting during the year under review or up to the date of this report in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

Directors' indemnity

In addition to Directors' and Officers' liability insurance cover, the Company's Articles provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into deeds of indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available at the AGM.

Conflicts of interest

The Board has put in place a framework in order for Directors to report conflicts of interests or potential conflicts of interest. All Directors are required to notify the Company Secretary of any situations, or potential situations where they consider that they have or may have a direct or indirect interest or duty that conflicted or possibly conflicted with the interests of the Company. The Board has considered that the framework worked effectively throughout the period under review. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

Directors' remuneration report and policy

The Directors' Remuneration Report and Remuneration Policy is set out on pages 65 to 69. An advisory ordinary resolution to approve the Directors' Remuneration Report (excluding any content relating to the Remuneration Policy) will be put to shareholders at the Company's forthcoming AGM. The Company is required to put the Directors' Remuneration Policy to a binding shareholder vote every three years. The Company's Remuneration Policy was last put to shareholders at the AGM in 2020.

Substantial share interests

As at 30 September 2020, the Company had received notification in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

Name	No. of shares	Voting rights	% of share capital
BlackRock Inc.	34,239,991	34,239,991	14.2
City of London Investment Management Company Limited	26,610,991	26,610,991	11.0
Investec Wealth & Investment Limited	15,915,039	15,915,039	6.6
Brewin Dolphin	7,862,120	7,862,120	3.3

As at 8 December 2020, being the latest practicable date prior to disclosure of the Annual Report, the Company had received additional notification of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

Name	No. of shares	Voting rights	% of share capital
BlackRock Inc.	35,026,918	35,026,918	14.5
City of London Investment Management Company Limited	26,301,610	26,301,610	10.9

Directors' report

continued

Share capital, ordinary share issues and repurchases

At 30 September 2020, the Company had 241,210,518 ordinary shares in issue. Full details of the Company's issued share capital are given in note 16 to the Financial Statements on page 101. Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 137. The Company's ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights or the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company. Shareholder authority to renew these powers will be sought at the forthcoming AGM. A total of 1,150,000 new ordinary shares were allotted during the year to 30 September 2020 at an average price of 131.74p per share and for a total gross consideration of £1,515,000 (US$1,998,000). No further ordinary shares were allotted following the year end.

A total of 612,283 Ordinary shares were bought back to be held in Treasury during the year at an average price of 95.25p per share and for a total consideration of £583,000 (US$759,000). The Directors seek shareholder authority each year to allot new shares, dis-applying pre-emption rights, and to repurchase the Company's shares in the market, to be cancelled or retained in treasury for re-issue.

Although the Investment Manager initiates any buy backs, the policy and parameters are set by the Board and reviewed at regular intervals. The Company intends to raise the cash needed to finance the purchase of shares either by selling securities in the Company's portfolio or by short term borrowing.

The current authority to purchase ordinary shares in the market to be held in treasury or for cancellation was granted to the Directors on 4 February 2020 and expires at the conclusion of this year's AGM. The Directors are proposing that their authority to purchase ordinary shares in the market to be held in treasury or for cancellation be renewed at the forthcoming AGM.

Treasury shares

At the AGM in 2020, the Company was authorised to purchase its own ordinary shares to be held in treasury for reissue or cancellation at a future date. A total of 612,283 ordinary shares were purchased under this authority during the year and the Company currently holds 612,283 ordinary shares in treasury.

Streamlined Energy and Carbon Reporting (SECR) statement: greenhouse gas (GHG) emissions and energy consumption disclosure

This is a SECR statement[1] on the Company's annual energy consumption and GHG emissions for the financial year 1 October 2019 to the 30 September 2020 and the prior year, 2018/19. The Company does not own, lease or operate any assets, and has no direct employees. Therefore, there are zero emissions associated or attributed to the entity (Table 1) and no underlying global energy consumption (Table 2). In addition, there are no energy efficiency action measures taken over the reporting year. This is the Company's first SECR statement.

The Company used the main requirements of the GHG Protocol Corporate Standard (revised edition) as a basis to report on any GHG emissions in tonnes of carbon dioxide equivalent (tCO_2e), which expresses multiple greenhouse gases in terms of carbon dioxide based on their global warming potential (including methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride). Emissions considered relate to activities for which the company is responsible and included as applicable: combustion of any fuel and operation of its facilities; and annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use.

Table 1. 2019/20 Blackrock Frontiers Investment Trust plc GHG Emissions

GHG Emissions (tCO_2e)[2]	2019/20 (market-based)	2019/20 (location-based)	2018/19 (market-based)	2018/19 (location-based)
Scope 1[3] — Combustion of fuels and fugitive emissions of refrigerant gases	0	0	0	0
Scope 2[4] — Electricity, heat, steam, and cooling purchased for landlord shared services and own use	0	0	0	0
Scopes 1 + 2 – Mandatory carbon footprint disclosure	0	0	0	0
Scope 1+2 – Mandatory intensity ratio: emissions per total revenue (tCO_2e/$100m)	0	0	0	0

[1] GHG emissions and energy consumption statement pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the SECR Regulations).

[2] Tonnes of carbon dioxide equivalent.

[3] Scope 1 emissions are direct GHG emissions from activities owned or controlled by an organisation.

[4] Scope 2 emissions are indirect emissions associated with an organisation's consumption of purchased electricity, heat, steam and cooling. These emissions occur as a consequence of an organisation's activities at sources which the organisation does not own or control.

Table 2. 2019/20 Blackrock Frontiers Investment Trust Plc Energy Use

Consumption Source	Scope	2019/20 Consumption Value	Unit	2018/19 Consumption Value	Unit
Natural Gas	Scope 1	0	kWh	0	kWh
Diesel Fuel	Scope 1	0	kWh	0	kWh
Private Aviation (Jet Fuel)	Scope 1	0	kWh	0	kWh
Refrigerants	Scope 1	0	lbs	0	lbs
Electricity	Scope 2	0	kWh	0	kWh

BlackRock acts as investment manager to the Company. Therefore, for full transparency, BlackRock's global Scope 1, 2 and 3 emissions for 1st January 2019 to 31st December 2019 can be found in its 2020 Carbon Disclosure Project (CDP) submission: www.cdp.net/en/responses/1875

Articles of association

Any amendments to the Company's Articles must be made by special resolution.

Annual general meeting

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The business of this year's AGM consists of 14 resolutions. Resolutions 1 to 12 are proposed as ordinary resolutions and resolutions 13 to 14 are being proposed as special resolutions.

Resolution 1 – Approval of the Annual Report and Financial Statements

This resolution seeks shareholder approval of the annual report and financial statements for the year ended 30 September 2020 and the Auditor's report thereon.

Resolution 2 – Approval of the Directors' Remuneration Report

This resolution is an advisory vote on the Directors' Remuneration Report, which is set out on pages 65 to 67, excluding any content relating to the remuneration policy.

Resolution 3 – Approval of a final dividend

Resolution 3 seeks shareholder approval of a final dividend of 4.25 cents per ordinary share for the year ended 30 September 2020.

Resolutions for the re-election of Directors

The biographies of the Directors are set out on pages 35 and 37 and are incorporated into this report by reference. The skills and experience that each Director brings to the Board for the long-term sustainable success of the Company are set out below. All the Directors held office throughout the year under review and, with the exception of Mr Pitts-Ticker, will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code.

Resolution 4

Relates to the re-election of Mr Audley Twiston-Davies who was appointed on 23 November 2010. Mr Twiston-Davies brings leadership skills and much in-depth knowledge, expertise and experience of the sector to the Board with over 25 years of investment experience to the Board in F&C Emerging Markets.

Resolution 5

Relates to the re-election of Mr Stephen White who was appointed on 13 July 2016, and who also chairs the Company's Audit Committee. Mr White has many years of experience in the investment management sector as well as serving as a non-executive director on several investment trust companies. He is a qualified chartered accountant.

Resolution 6

Relates to the re-election of Mr Sarmad Zok who was appointed on 8 February 2011. Mr Zok Brings extensive experience of business, executive and consumer related matters outside of the financial services industry, together with his length of service to the Company.

Resolution 7

Relates to the re-election of Mrs Katrina Hart who was appointed on 1 October 2019. Mrs Hart has extensive knowledge of the UK retail investment market and has served on boards of an asset management operating company and several investment trust companies.

Directors' report

continued

Resolutions 8 and 9 – Re-appointment of the external Auditor and the Auditor's Remuneration

These resolutions relate to the re-appointment and remuneration of the Company's Auditor. The Company, through its Audit and Management Engagement Committee, has considered the independence and objectivity of the external Auditor and are satisfied that the Auditor remains independent. Further information in relation to the assessment of the Auditor's independence can be found on page 73. Resolutions relating to the following items of special business will be proposed at the forthcoming AGM.

Ordinary Resolution 10 – Authority to allot ordinary shares

Resolution 10 seeks to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of US$241,210.51 which is equivalent to 24,121,051 ordinary shares of 1 cent each and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares) as at the date of the Notice of Annual General Meeting, or, if different, such nominal amount as represents 10% of the Company's issued share capital as at the date of the passing of this resolution.

Special Resolution 11 – Authority to dis-apply pre-emption rights

Special Resolution 11 empowers the Directors to allot new shares for cash or to sell ordinary shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of US$241,210.51 which is equivalent to 24,121,051 ordinary shares of 1 cent each and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares). The special resolution to be proposed will enable the Directors, at their discretion, to allot a limited number of equity securities for cash and will also provide the Directors with greater flexibility should appropriate business opportunities arise.

Special Resolution 12 – Authority to buy back shares

The special resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority the maximum price which can be paid shall be the higher of (i) an amount equal to 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The Directors are seeking authority to purchase up to 36,157,456 ordinary shares (being approximately 14.99% of the issued ordinary share capital as at the date of the Notice of Annual General Meeting) or, if different, such nominal amount as represents 14.99% of the Company's issued share capital as at the date of the passing of this resolution.

Special Resolution 13 – Amendment of the Articles

The Board is proposing to make amendments to the Articles to enable the Company to hold general meetings (wholly or partially) by electronic means and to give additional powers in respect of postponing or adjourning meetings in appropriate circumstances. The amendments are being sought in response to challenges posed by government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it difficult for shareholders to attend physical general meetings. The Board's aim in introducing these changes is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel, and also to ensure appropriate security measures are in place for the protection and wellbeing of shareholders. The principal changes proposed to be introduced in the Articles, and their effect, are set out below.

(i) Electronic participation in general meetings

The Board will have the ability to determine the means of attendance and participation used in relation to general meetings of the Company, including whether the meeting shall be held physically, through an electronic facility, or partly in one way and partly in another.

(ii) Adjournment of general meetings

The Chairman will have the ability to interrupt or adjourn general meetings without the consent of the meeting if it appears to the Chairman that the facilities or security at any general meeting (including those conducted wholly or partly electronically) have become inadequate.

(iii) Postponement of general meetings

The Board will have the ability to postpone a general meeting if, in its absolute discretion, it considers that it is impractical or unreasonable for any reason to hold the meeting on the date or at the time or at any place specified in the notice calling the general meeting.

(iv) Documents available for inspection at a meeting

If, in the case of a general meeting which is held wholly or partly by means of an electronic facility, any document is required to be on display or available for inspection at that meeting (whether prior to and/or for the duration of the meeting), the Company shall ensure that it is electronically available to persons entitled to inspect it for at least the required period of time.

(v) Accommodation of members and security arrangements

The Board will have the ability to implement measures for the purposes of controlling the level of attendance and ensuring the safety of those attending and participating at any physical place specified for the holding of a general meeting, ensuring

the security of the meeting and ensuring the future orderly conduct of the meeting. The entitlement of any member or proxy to attend and participate in a general meeting at such place (or places) shall be subject to any such arrangements.

Similarly, if a general meeting is held wholly or partly by means of an electronic facility, the Board and the Chairman may make any proportionate arrangement and impose any proportionate requirement or restriction that is necessary to ensure the identification of those taking part by way of such electronic facility and the security of electronic communication. The entitlement of any member or proxy to attend and participate in a general meeting (physically or electronically) shall be subject to any such arrangements.

(vi) Method of voting at meetings conducted wholly or partly electronically

A resolution put to the vote at a general meeting held wholly or partly by means of an electronic facility or facilities shall be decided on a poll, with poll votes to be cast by such electronic means as the Board, in its sole discretion, deems appropriate for the purposes of the meeting.

The proposed new Articles (marked to show the proposed changes) will be available for inspection on the Company's website at www.blackrock.com/uk/brfi from the date of this Report and Accounts until the conclusion of the Annual General Meeting or may be obtained from the Company Secretary by requesting a copy using the address and details provided on page 122. The proposed new Articles (marked to show the proposed changes) will also be available for inspection at the place of the forthcoming Annual General Meeting for at least 15 minutes before and during that Annual General Meeting.

Resolution 14 – Cancellation of share premium account

The share premium account of the Company as at 30 September 2020 totalled £165,984,000. A share premium account is an undistributable reserve and, accordingly, the purposes for which the Company can use it are extremely restricted. Should resolution 14 be passed, an application will be made to the High Court of Justice in England and Wales for the cancellation of the Company's share premium account. The amount cancelled will become a distributable reserve that may be applied in any manner which the Company's profits available for distribution are able lawfully to be applied, including the payment of dividends and the buy back of shares. As mentioned in the Chairman's Statement, this action is being taken, in part, to ensure that the Company has sufficient distributable reserves to meet any tender elections in the proposed tender offer submitted by shareholders and therefore recommends that shareholders support this resolution.

Should resolution 14 be passed, an application will be made to the High Court of Justice in England and Wales for the cancellation of the Company's share premium account. The cancellation will be used to create a special reserve which will be capable of being treated as distributable profits that may be applied in any manner which the Company's profits available for distribution are able lawfully to be applied, including the payment of dividends and the buy back of shares. The timetable of the proposed tender offer may need to be extended to allow time for the Court to consent to the cancellation of the Company's share premium account. In such circumstances implementation of the proposed tender offer will be delayed. Further details of the likely delay to the timetable of the proposed tender offer will be set out in the circular expected to be issue in due course in connection with the proposed tender offer.

Recommendation

Your Board considers that the resolutions to be proposed at the AGM are likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

Corporate governance

Full details are given in the Corporate Governance Statement on pages 60 to 64. The Corporate Governance Statement forms part of this Directors' Report.

Audit information

As required by Section 418 of the Companies Act 2006, each of the Directors who held office at the date of approval of this report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent auditor

In line with EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2020 and, as a result, it was recommended that Ernst & Young LLP be re-appointed as the Company's independent auditor. The incumbent Auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions proposing their reappointment and authorising the Company's Audit and Management Engagement Committee to determine its remuneration for the ensuing year will be submitted at the AGM.

The Directors' Report was approved by the Board at its meeting on 10 December 2020.

By order of the Board

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
10 December 2020

Corporate governance statement

Chairman's introduction

Corporate governance is the process by which the Board seeks to look after shareholders' interests and to protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining the highest standards of financial reporting, transparency and business integrity.

The Board is accountable to shareholders for the governance of the Company's affairs. The Directors have considered the principles and recommendations of the 2018 AIC Code of Corporate Governance (AIC Code). The AIC Code addresses all the principles set out in the 2018 UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code is available from the Association of Investment Companies (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.org.uk).

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

Compliance

The Board has made appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment trust, the majority of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive. Thus, not all provisions of the UK Code are directly applicable to the Company.

Throughout the year, the Company has complied with the recommendations of the AIC Code and provisions of the UK Code, except the provisions relating to:

- the role of the chief executive;
- the executive directors' remuneration;
- the need for an internal audit function; and
- the nomination of a senior independent director (explained in the "Board composition" paragraph on this page).

For the reasons set out in the AIC Code of Corporate Governance, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company being an externally managed investment company with no executive employees. In view of BlackRock having an internal audit function, the Board does not consider it necessary for the Company to have its own internal audit function.

Information on how the Company has applied the principles of the AIC Code and the UK Code is provided in the Directors' Report as set out below:

Board composition

The Board currently consists of five non-executive Directors, all of whom are independent of the Company's Manager.

The UK Code recommends that the Board should appoint one of the independent non-executive Directors to be the senior independent director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Code states that the senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate. However, as the Board's structure is relatively simple, with no executive directors and five non-executive Directors, the Board does not consider it necessary to nominate a senior independent director. Further information on the Directors can be found in the Directors' Report on pages 54 to 57.

The Directors' biographies demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 35. Board composition is kept under review and when the need arises, care will be taken to ensure that appointees have sufficient time to devote to the role. External consultants may be used to identify potential candidates.

Diversity

The Board's policy on diversity, including gender, is to take this into account during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report. As at the date of this report, the Board consists of one woman and four men resulting in 20% female Board representation. Following the retirement of Mr Pitts-Tucker at the forthcoming AGM, the Board will be comprised of three men and one woman, raising this figure to 25%.

Board independence

The Board consider a range of factors including any findings from the Board's annual performance appraisal process, a Director's length of tenure and whether the Director in

question demonstrates impartiality and sufficient challenge of the Board and the Manager. The Board also takes into account the provisions of the UK Corporate Governance Code and evolving best practice when considering the independence criteria of the Board, its Committees and that of individual Directors. However, the Board does not believe that length of tenure should be the predominate factor in determining an individual's independence. The Board believes that the overarching objective should be to establish and maintain a board which has a range of tenure, skills and experience such that it can effectively discharge its duties and retain the benefits of corporate memory, while also benefiting from regular board refreshment, which inevitably brings new ideas, perspectives and, importantly, challenge of the status quo and accepted thinking. Therefore, the Board also believes that it is appropriate for the Chairman, who has served as a Director for over nine years, to be re-appointed in order to provide an appropriate level of continuity as the Company approaches its latest 5-year exit opportunity. Unlike the UK Code, the AIC Code does not contain a specific nine-year limit on the tenure of the Chairman. The Board's independence, including that of the Chairman, has been considered, and all current Directors are deemed to be wholly independent. A number of factors were taken into account when making this assertion, including length of tenure, the individual contribution of each Director, their other directorships and interests, and their ongoing commitment and enthusiasm to promote the long-term success of this Company, its shareholders and wider stakeholders.

Succession planning

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles and are set out in more detail on pages 54 and 55 of the Directors' Report. The Board has considered the position of each of the Directors as part of the annual board evaluation process and believes it would be in the Company's best interests that each of the Directors retiring stands for re-election at the forthcoming AGM, given their level of contribution and commitment to the Company. The Directors support a planned and progressive refreshment of the Board, but do not believe it is appropriate, nor in shareholders' interests, to put in place a finite tenure period for any single Director. The Board will continue to conduct a phased refreshment of its composition in accordance with its succession plan to ensure that an appropriate range of Director tenure exists. The Board determined that a new appointment to the Board was not appropriate ahead of the Company's NAV exit opportunity in early 2021. However, a search and selection process to identify a new Director to continue the ongoing board refreshment process has been scheduled.

The Board's tenure and succession policy seeks to ensure that there is an appropriate balance of skills, knowledge, independence, experience and diversity on the Board. This is achieved through the regular evaluation of both the composition and performance of the Board and, where required, the appointment of new Directors who possess appropriate skills and experience and who are able to commit the necessary time to effectively carry out their duties. Further information in respect of Director tenure can be found in the Directors' Report on page 62.

Directors' training and induction

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager and the Investment Manager whereby he or she will become familiar with the various processes which the Manager and the Investment Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and its activities. The Directors also receive regular briefings from, amongst others, the Auditor and the Company Secretary regarding any proposed developments or changes in applicable law or regulation which could affect the Company and/or the Directors.

Directors' liability insurance

The Company has maintained appropriate Directors' Liability Insurance cover throughout the year.

Board's responsibilities

The Board's responsibilities are set out on page 34 along with information on the schedule of meetings held during the year. The Board may also convene additional meetings to consider strategy and other issues. There is regular contact with the Manager and the Investment Manager between meetings. A formal schedule of matters specifically reserved for decision by the Board has been defined. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board. The Directors also have access to the advice and services of the Company Secretary, who is responsible for ensuring that relevant procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006 and other applicable law and regulation. It is the Board's responsibility to present a fair, balanced and understandable assessment, which extends to interim and other price-sensitive public reports. The Board is also responsible for safeguarding the

Corporate governance statement

continued

assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Committees of the Board

Nomination Committee

As the Board comprises only non-executive Directors it fulfils the function of the Nomination Committee and a separate committee has not been established.

The Board regularly reviews its structure and composition, including the balance of knowledge, independence, experience, skills and diversity on the Board. It also determines policy on succession planning and tenure. Appointments of new Directors are made on a formalised basis, with the Board agreeing the selection criteria and the method of search, selection, recruitment and appointment. The services of an external search consultant may be used to identify potential candidates.

Audit and Management Engagement Committee

A separate Audit and Management Engagement Committee has been established and comprises the whole Board. Further details are given in the Report of the Audit and Management Engagement Committee on pages 70 to 74.

Remuneration Committee

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Report and Remuneration Policy on pages 65 to 69. As stated in the Directors' Remuneration Policy, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee. No Director is present when his or her individual remuneration is determined.

Performance evaluation

The Board reviews its performance formally on an annual basis. An appraisal system has been agreed by the Board for the evaluation of the Board, its Committee and individual Directors, including the Chairman. The evaluation for the year ended 30 September 2020 has been carried out. This took the form of self and peer group assessment followed by individual discussions between the Chairman and individual Directors. The performance of the Chairman was reviewed by the other Directors, led by Mr White. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the ongoing Board reflected a suitable balance of skills, experience, diversity and independence and that the Board, as a whole, continues to function effectively.

Delegation of responsibilities

The Board has delegated the following areas of responsibility:

Management and administration

The management of the investment portfolio and the administration of the Company have been delegated to BlackRock Fund Managers Ltd (BFM) as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Ltd (BIM (UK)) (the Investment Manager). The contractual arrangements with, and assessment of, the Manager are summarised on pages 52 and 53. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is The Bank of New York Mellon (International) Limited (BNYM). The address at which this business is conducted is given on page 122.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 54.

Internal controls

The Board is responsible for establishing and maintaining the Company's systems of internal controls, for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board, through its Audit and Management Engagement Committee, reviews the effectiveness of the internal control systems on an ongoing basis to identify, evaluate and mitigate the Company's significant risks. As part of that process there are procedures designed to identify and evaluate any failings or weaknesses. Should a case be categorised by the Board as significant, procedures exist to ensure that necessary remedial action is taken. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by BlackRock's corporate audit department. This accords with the Financial Reporting Council's "Risk Management, Internal Control and Related Financial Reporting".

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third-party service providers to mitigate these risks.

The Audit and Management Engagement Committee (the Committee) formally reviews this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock reports to the Committee on a semi-

annual basis on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the custodian, the fund accountant and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad-hoc basis to the extent that this is required. The Committee also receives annual and quarterly Service Organisation Control (SOC 1) reports respectively from BlackRock and The Bank of New York Mellon on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Manager, the Investment Manager and BNYM. The Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

The Company does not have its own internal audit function, as all the administration is delegated to the Manager. The Board monitors the controls in place through BlackRock's internal audit department and believes that there is currently no requirement for the Company to have its own internal audit function, although this matter is kept under review.

There are no agreements between the Company and its Directors concerning compensation for loss of office. Powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles require a special resolution to be passed by shareholders.

Financial reporting

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 75, the Independent Auditor's Report on pages 78 to 84 and the statement of Going Concern on page 54 and on longer term viability on pages 45 and 46.

Socially responsible investment and ESG matters

Generally, investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Directors believe that it is in shareholders' interests to consider human rights issues and environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on pages 50 and 51.

Bribery prevention policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

Criminal Finances Act

The Criminal Finances Act 2017 came into force on 25 May 2018 and introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in a transparent and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion.

Communication with shareholders

All shareholders have the opportunity to attend and vote at the AGM. The Notice of Annual General Meeting is sent out at least 20 working days in advance of the meeting and sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' Report on pages 57 to 59, separate resolutions are proposed for substantive issues.

In addition, regular updates on performance are available to shareholders and the portfolio managers will review the Company's portfolio and performance at the AGM, where the Board and representatives of the Investment Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the AGM and will be made available on the Company's website at www.blackrock.com/uk/brfi shortly after the meeting. In accordance with the UK Corporate Governance Code, when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board will explain, when announcing the results of voting, what actions it intends to take to understand the reasons behind the vote result.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations made by the Investment Manager. The Board discusses any feedback from meetings with shareholders with the Investment Manager at each Board meeting. It also receives reports from its corporate broker in relation to the views of shareholders and demand for the Company's shares.

There is also a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority

Corporate governance statement

continued

to respond to enquiries addressed to the Board and all communication, other than junk mail, is redirected to the Chairman of the Board. There is also a section within this report entitled "Additional Information – Shareholder Information", on pages 119 to 131 which provides an overview of useful information available to shareholders.

The Company's accounts, regular factsheets and other information are also published on the BlackRock website at www.blackrock.com/uk/brfi. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Disclosure guidance and transparency rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 52 to 59 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

- Substantial share interests;
- Share capital;
- Share issues;
- Share repurchases; and
- Greenhouse gas emissions.

In addition, information on Directors' shareholdings is given on page 66 in the Directors' Remuneration Report.

For and on behalf of the Board

AUDLEY TWISTON-DAVIES
Chairman
10 December 2020

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2020 which has been prepared in accordance with sections 420-422 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 78 to 84.

Statement by the Chairman

A key driver of the remuneration policy is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience.

The Company's Directors' Remuneration Policy was last reviewed on 10 September 2020. Following this review it was agreed that all Directors' fees would remain at the existing level. The basis for determining the level of any change in Directors' remuneration is set out in the Directors' Remuneration Policy on pages 65 to 69. Directors' fees were last increased on 1 October 2019. No discretionary fees have been paid to Directors during the year or since inception and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and why it was deemed necessary to pay such additional remuneration.

Remuneration committee

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. A separate Committee has therefore not been established. The Company's Directors are all non-executive and are independent of the Manager. No advice or services were provided by any external agencies or third parties.

Implementation of the remuneration policy in the year 2020

The Remuneration Policy has been implemented as set out on pages 68 and 69. The Directors do not receive any performance related remuneration or incentives. Discretionary payments are permitted under the policy; however such discretionary payments would only be considered in exceptional circumstances.

Remuneration/service contracts

The maximum remuneration of the Directors is determined within the limits of the Company's Articles and currently amounts in aggregate to £200,000. No element of the Directors' remuneration is performance related. The Company does not and has not awarded any share options or long term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receives any non-cash benefits or pension entitlements. The terms of their appointment are detailed in an appointment letter issued to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Remuneration implementation report

A single figure for total remuneration of each Director is set out in the table below for the year ended 30 September 2020:

	Year ended 30 September 2020			Year ended 30 September 2019		
Directors	**Base Salary**	**Taxable benefits[7]**	**Total**	**Base Salary**	**Taxable benefits[7]**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Audley Twiston-Davies (Chairman)[1]	38,000	–	38,000	37,000	–	37,000
Katrina Hart[2]	28,000	–	28,000	n/a	–	n/a
Nick Pitts-Tucker[3]	28,000	–	28,000	27,000	–	27,000
Stephen White[4]	32,000	–	32,000	31,000	–	31,000
Sarmad Zok[5]	28,000	103	28,103	27,000	13,322	40,322
John Murray[6]	9,819	–	9,819	27,000	–	27,000
Total	163,819	103	163,922	149,000	13,322	162,322

1 Appointed as a Director on 23 November 2010.
2 Appointed as a Director on 1 October 2019.
3 Appointed as a Director on 23 November 2010.
4 Appointed as Audit and Management Engagement Committee Chairman on 22 November 2016 and as a Director on 13 July 2016.
5 Appointed as a Director on 8 February 2011.
6 Retired as a Director on 4 February 2020.
7 Taxable benefits relate to travel and subsistence costs.
There were no discretionary payments made during the year.

The information in the table above has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors. The Directors receive no variable remuneration.

Directors' remuneration report

continued

At 30 September 2020, fees of US$17,000 (£13,000) (2019: US$16,000 (£12,000)) were outstanding to Directors in respect of their annual fees.

Relative importance of spend on pay

As the Company has no employees, the table above also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared to the Company's net profit on ordinary activities after taxation, total operating expenditure and dividend distributions.

	2020	2019	Change
Directors' total remuneration	£163,922 (US$212,000)	£162,322 (US$201,000)	+ £1,600 + US$11,000
Total dividends paid and payable	US$16,901,000	US$18,692,000	-US$1,791,000
Buy back of ordinary shares	US$759,000	Nil	+ US$759,000
Net revenue profit on ordinary activities after tax	US$12,200,000	US$18,924,000	-US$6,724,000

No payments were made in the period to any past Directors (2019: £nil).

Five year change comparison

Over the last five years, Directors' pay has increased as set out in the table below:

	2020 £'000	2015 £'000	Change £'000
Chairman	38,000	34,000	+11.8%
Audit Committee Chairman	32,000	28,000	+14.3%
Director	28,000	24,000	+16.7%

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

Shareholdings

The interests of the Directors in the ordinary shares of the Company are set out in the table below. The Company does not have a share option scheme, therefore none of the Directors has an interest in any share options in the Company. There is no requirement for Directors to hold shares in the Company.

	2020	2019
Audley Twiston-Davies (Chairman)	128,935	128,935
Katrina Hart	39,789[1]	18,883
Nick Pitts-Tucker	110,148	110,148
Stephen White	30,000	30,000
Sarmad Zok	Nil	Nil

[1] 9,780 ordinary shares are held on behalf of Mrs Hart's dependents.

The information in the above table has been audited.

All of the holdings of the Directors are beneficial. No changes to these holdings have been notified up to the date of this report.

Retirement of directors

Further details are given in the Directors' Report on pages 52 and 59.

Performance

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the Benchmark Index[1]. This Index is deemed to be the most appropriate as the Company has a Frontier Markets objective.

Performance since inception on 17 December 2010 to 30 September 2020

[1] With effect from 1 April 2018, the Benchmark Index changed to a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Benchmark Index was the MSCI Frontier Markets Index. The performance of the Benchmark Index during the period from 1 April 2018 to 30 September 2020 has been blended to reflect this change.

Sources: BlackRock and Datastream.

All performance figures calculated on a US Dollar basis with dividends reinvested, rebased to 100 at 17 December 2010.

For and on behalf of the Board

AUDLEY TWISTON-DAVIES
Chairman
10 December 2020

Directors' remuneration policy

Directors' remuneration policy

In setting the appropriate level of Directors' fees, a number of factors are considered, including the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented), the relationship with their suppliers and the size and complexity of the Company. The time commitment required, the level of skills and appropriate experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity are also taken into account. The Board also considers the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate, as well as taking account of any data published by the Association of Investment Companies to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis. The Board is cognisant of the need to avoid any potential conflicts of interest and has therefore agreed a mechanism by which no Director is present when his or her own pay is being considered.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting this policy and there has been no employee consultation.

No element of the Directors' remuneration is performance related or subject to recovery or withholding (except for tax). Directors cannot be awarded any share options or long-term performance incentives. None of the Directors has a service contract with the Company or receives any non-cash benefits (except as described in the policy table), pension entitlements or compensation for loss of office.

The remuneration policy would be applied when agreeing the remuneration package of any new Director. The terms of Directors' appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Directors' appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. No payments for loss of office are made. Directors are also subject to re-election at least every three years and, if not elected, their appointment ceases immediately. However, in accordance with the UK Corporate Governance Code the Board have agreed that all Directors will, being eligible, stand for re-election annually.

Consideration of shareholders' views

In accordance with applicable law and regulation, an ordinary resolution to approve the remuneration report is put to shareholders at each AGM, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of the Company's Remuneration Policy. The Company obtained shareholder approval for its remuneration policy at the AGM in 2020. In accordance with the Companies Act 2006, the remuneration policy is subject to a triennial binding shareholder vote at the AGM in 2023. At the Company's AGM held on 4 February 2020, 99.95% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 0.05% of votes cast were against.

At the Company's AGM held on 4 February 2020, 99.95% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 September 2019 and 0.05% against.

Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

Policy table

Purpose and link to strategy	Fees payable to Directors should be sufficient to attract and retain individuals of high calibre who possess knowledge and experience suitably aligned to the activities of the Company. Those chairing the Board and key committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the responsibilities borne by the Directors.
Description	Current levels of fixed annual fee with effect from 1 October 2019: Chairman – £38,000 Audit and Management Engagement Committee Chairman – £32,000 Directors – £28,000 All reasonable expenses to be reimbursed.
Maximum and minimum levels	Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies. The Company's Articles set a limit of £200,000 in respect of the aggregate remuneration that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £50,000 in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.
Policy on share ownership	Directors are not required to own shares in the Company, although all Directors, with the exception of Mr Zok, are currently shareholders.
Fixed fee element	The Board reviews the quantum of Directors' pay each year to ensure this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in pay, the Board considers wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors do not have service contracts, but are appointed under letters of appointment.
Discretionary Payments	The Company's Articles authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such extra work undertaken is subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit and Management Engagement Committee. The level of discretionary fees shall be determined by the Directors. Any discretionary fees paid will be disclosed in the Director's remuneration implementation report within the Annual Report. The payment of such fees would only be considered in exceptional circumstances and any discretionary fees paid will be clearly disclosed.
Taxable benefits	Taxable benefits comprise expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered offices in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred.

Report of the audit and management engagement committee

As Chairman of the Audit and Management Engagement Committee I am pleased to present the Committee's report to shareholders for the year ended 30 September 2020.

Role and responsibilities

The Company has established a separately chaired Audit and Management Engagement Committee ("the Committee"). The Committee meets at least twice a year, prior to the Board meetings to approve the half yearly and annual results. The Committee does not consider that as an investment trust company it is necessary to hold an additional meeting during the year, although this is kept under review.

The Committee's principal duties are set out below and include considering, and recommending to the Board for approval, the contents of the half yearly and annual financial statements and providing an opinion as to whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and position, business model and strategy. It is also responsible for assessing the adequacy of the Company's internal financial controls, systems of internal control and risk management and receives regular reports from the Manager's corporate audit and compliance departments and from other key third-party service providers during the year. The Committee also has primary responsibility for managing the relationship with the external auditor, including the assessment of the external auditor's ongoing independence and objectivity.

All of the Directors are members of the Committee and their biographies can be found on pages 35 to 37. The Board considers that at least one member of the Committee has recent and relevant financial experience and has specific competence in accounting and/or auditing. The Committee as a whole has competence relevant to the sector in which the Company operates. As permitted by the AIC Code of Corporate Governance, the Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

The Committee operates within written terms of reference detailing its scope and duties and these are available on the Company's website at www.blackrock.com/uk/brfi. In accordance with these duties, the principal activities of the Committee during the year are set out below.

Internal controls, financial reporting and risk management systems

- monitoring and assessing the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management systems;
- reviewing arrangements by which staff of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- seeking reasonable assurance that such systems meet relevant legal and regulatory requirements;
- monitoring the integrity of the financial statements;
- reviewing the consistency of, and any changes to, accounting policies;
- reviewing the half yearly and annual report and financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders;
- evaluating the need for an internal audit function;
- reviewing semi-annual reports from the Manager on its activities as AIFM; and
- reviewing semi-annual reports from the Depositary on its activities.

Narrative reporting

- reviewing the content of the annual report and financial statements and, where requested by the Board, providing an opinion on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Management engagement

- reviewing the performance of the Manager during the year, both on an absolute and relative basis;
- reviewing the investment management agreement to ensure the terms are appropriate and remain competitive;
- satisfying itself that the continuing appointment of the Manager is in the interests of shareholders as a whole; and
- considering the appropriateness of the remuneration of the Manager.

Third-party service providers

- considering the appointment of other third-party service providers; and
- ensuring that third party service providers comply with the terms of their agreements and that the provisions of such agreements remain both appropriate and competitive.

Reporting responsibilities

- reporting to the Board on its proceedings and how it has discharged its responsibilities, making whatever recommendations it deems appropriate on any area within its remit; and
- compiling a report on its activities to be included in the Annual Report and Financial Statements.

Internal audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 63.

Due to the nature of the Company, being an externally managed investment company with no employees, and in view of BlackRock having an internal audit function which reports to the Audit and Management Engagement Committee, the Company does not have its own internal audit function.

External audit

The Committee has primary responsibility for assessing the effectiveness of the external audit process and for making recommendations to the Board on the appointment, reappointment or removal of the external auditor. It considers the planning, scope, quality of performance, cost effectiveness and independence of the external auditor. The Committee reviews and approves the external audit plan in advance of the audit and throughout the year and ensures that any non-audit services proposed to be performed by the external auditor are in accordance with the Company's policy on the provision of non-audit services. The Company's non-audit services policy is set out in full in the Committee's terms of reference which are available at the Company's website at: www.blackrock.com/uk/brfi. The external audit plan includes an analysis of the key audit risks and calculations of audit materiality, which the Committee considers in forming its assessment of key risks to the Company's financial statements.

The Committee considers the quality of the audit plan, subsequent execution and composition of the audit team in formulating its recommendation to the Board regarding the reappointment of the external auditor. Length of tenure and independence (with due regard to the level of non-audit services) are considerations underpinning this assessment, which is carried out within the framework laid down by EU legislation on auditor rotation that is supplemented by application guidance from the UK's Financial Reporting Council.

Further information on the external audit is reported under 'Assessment of the effectiveness of the external audit process' on page 73. The fees paid to the external Auditor are set out in note 5 on page 94.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and that each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Whistleblowing policy

The Committee has also reviewed and accepted the "whistleblowing" policy that has been put in place by BlackRock under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.

Significant issues considered regarding the Annual Report and Financial Statements

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified in the audit plan and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The following table sets out the key areas of risk identified and also explains how these were addressed by the Committee.

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices by third party vendors. Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from BlackRock that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct. The Board also relies on BlackRock's and the Fund Accountant's (BNYM) controls which are documented in semi-annual internal control reports and reviewed by the Committee.

Report of the audit and management engagement committee continued

Significant issue	How the issue was addressed
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for loss of financial investments held in custody. The Depositary reports to the Audit and Management Engagement Committee on a twice yearly basis and is also available to attend the Company's AGM. The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets. BlackRock's New Market Opening Committee reports regularly to the Board on the status of opening of new markets and any potential risks and exposures that might arise as a result.
The accuracy of the calculation of management and performance fees	The Manager reports to the Board on the calculation of any performance fee accruals that have been included in the Company's NAV on a regular basis. The management fee and any performance fee are calculated in accordance with the contractual terms in the investment management agreement by the administrator and are reviewed in detail by the Manager and are also subject to an analytical review by the Board. There are review processes performed by BNYM and the Manager on the calculation of the management fee and any performance fee to ensure that they are correctly calculated.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Committee reviews income forecasts and receives explanations from the Investment Manager for any variations or significant movements from previous forecasts and prior year figures. The Committee also reviews the facts and circumstances of all special dividends to determine the revenue/capital treatment. There are review processes performed by BNYM and the Manager on the completeness and accuracy of income, and also that this has been recognised in accordance with stated accounting policies.
The risk that the global economic disruption caused by COVID-19 will affect the Company's ability to continue in operation due to the impact on market valuations of portfolio companies or the ability of key service providers (including the Manager, the Depositary, the Custodian, the Fund Accountant and Broker) to maintain business continuity and continue to provide appropriate service levels.	The Committee has reviewed the impact of the recent market volatility related to the COVID-19 pandemic on the Company's portfolio and received regular reports from the Portfolio Managers. The Committee has also reviewed portfolio liquidity and updated revenue and expense forecasts in light of COVID-19 and its impact on portfolio liquidity, income and market valuations and considers that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due. The Committee keeps the Company's principal risks and uncertainties under review and is confident that the Company has appropriate controls and processes in place to manage these risks and to maintain its operating model despite the challenges posed by COVID-19. The Committee has also received updates from key service providers in respect of their business continuity plans and is confident that they will be able to continue to provide a good level of service for the foreseeable future.

The provision of portfolio valuation, fund accounting and administration services is delegated to BIM (UK), which sub-delegates fund accounting to a third-party service provider, BNYM. The Committee has also reviewed the Service Organisation Control (SOC 1) reports prepared by BlackRock, the Custodian and the Fund Accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified above and are adequate and appropriate and have been designated as operating effectively by the reporting auditor.

Auditor and audit tenure

The Company's Auditor, Ernst & Young LLP, was appointed on launch of the Company in 2010. The Committee has considered the risks associated with audit firms withdrawing from the market and the relationship with the Company's Auditor. The appointment of the Auditor is reviewed each year and the audit partner rotates at least every five years. Mr Coups has been the Company's audit partner since 2016.

The Committee is mindful of the EU Audit Reform, including regulations on mandatory auditor rotation which require a review of the appointment of the auditor every ten years.

As a result, the Company carried out a formal tender process and the Committee is proposing Ernst and Young LLP be re-appointed as the Company's Independent Auditor. Consequently, a resolution to re-appoint Ernst and Young LLP as Auditors of the Company will be put to the forthcoming Annual General Meeting. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service.

The EU legislation also prohibits certain non-audit consulting services and caps the amount of additional fees auditors can charge their clients. There are no contractual obligations that restrict the Company's choice of auditor. For the year ended 30 September 2020, the ratio of non-audit fees to audit fees was 0.25:1 (2019: 1.50:1) The fees paid to the Auditor in respect of non-audit services which related to the review of the half yearly financial statements amounted to £9,500 (US$12,000) (2019: £6,500 (US$8,000)). The value is considered to be immaterial and was not such that it might threaten the Auditor's independence. No other non-audit services were provided to the Company by the Auditor during the year. Further details can be found in note 5 to the Financial Statements on page 94.

The Auditor has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Audit and Management Engagement Committee to determine its remuneration for the ensuing year will be proposed at the AGM.

Assessment of the effectiveness of the external audit process

To assess the effectiveness of the external audit, members of the Committee work closely with BlackRock to obtain a good understanding of the progress and efficiency of the audit. The Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement partner and the audit team;
- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager, the Investment Manager and third-party service providers in an effective audit process;
- communications by the Auditor with the Committee;
- how the Auditor supports the work of the Committee and how the audit contributes added value;
- monitor and review the supply of non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- a review of the independence and objectivity of the audit firm; and
- an assessment of the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The Auditor attends the Committee meetings on at least one occasion at which they have the opportunity to meet with the Committee without representatives of the Manager being present. The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the Auditor and the Committee.

To form a conclusion with regard to the independence of the Auditor, the Committee considers whether the skills and experience of the Auditor make them a suitable supplier of non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services.

On a bi-annual basis, Ernst & Young LLP reports the independence of its relationship with the Company and reports to the Committee, providing details of any other relationship with BlackRock. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's Auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company as well as an overall confirmation from the Auditor of its independence and objectivity.

As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company and therefore it has made a recommendation to the Board that it be reappointed.

Report of the audit and management engagement committee continued

Conclusions in respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process of the Annual Report and Financial Statements by BlackRock, the Depositary and the Committee, applying its knowledge and expertise of the investment industry and Frontier Markets sector;
- the controls that are in place at BlackRock and third-party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control Reports that have been reviewed and reported on by the external Auditor to verify the effectiveness of the internal controls of BlackRock, Depositary, Custodian and Fund Accountant.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable and provide shareholders with the information necessary to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry.

The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 75.

STEPHEN WHITE
Chairman of the Audit and Management Engagement Committee
10 December 2020

Statement of Directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements under IFRS as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report, Corporate Governance Statement and the Report of the Audit and Management Engagement Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Investment Manager and the AIFM for the maintenance and integrity of the Company's corporate and financial information included on BlackRock's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 35 to 37 of the Annual Report, confirms to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2018 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's report on pages 70 to 74 of this Annual Report. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 30 September 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

AUDLEY TWISTON-DAVIES
Chairman
10 December 2020

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Financial statements

Colbún, the Chilean hydroelectricity company, was another utilities performer in the year under review. Its Angostura hydroelectric power plant and the surrounding area in the Biobío river basin is actively promoted as a tourist destination.

PHOTO COURTESY OF COLBÚN

Independent auditor's report

to the members of BlackRock Frontiers Investment Trust plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BlackRock Frontiers Investment Trust plc (the Company) for the year ended 30 September 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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 as applied to public interest entities, 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 principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 41 to 44 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 41 in the Annual Report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on pages 54 and 89 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 45 and 46 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income. • Incorrect valuation or ownership of the investment portfolio and derivatives. • Incorrect calculation of the performance fee. • Risk of the going concern assumption being incorrectly applied, including consideration of the proposed tender offer and the impact of COVID-19.
Materiality	• Overall materiality of $3.06m (2019: $4.01m) which represents 1% (2019: 1%) of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income (as described on page 72 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on pages 90 and 91 and note 3 to the financial statements). The total revenue for the year to 30 September 2020 was $15.58m (2019: $23.58m), consisting primarily of dividend income from overseas listed investments. Net income from contracts for difference ("CFD") amounted to $4.06m (2019: $1.86m). The total amount of special dividends received by the Company during the year was $1.25m (2019: $1.33m), all of which were classified as revenue (2019: $1.23m classified as revenue, $0.10m classified as capital). There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	*We performed the following procedures:* We obtained an understanding of The Bank of New York Mellon (International) Limited (BNYM) and BlackRock Fund Managers Limited (the Manager) processes and controls around revenue recognition and classification of special dividends by reviewing their internal controls reports and performing our walkthrough procedures. For the classification of special dividends, we also evaluated the design and implementation of controls. For a sample of dividends, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, as agreed to an independent data vendor. We agreed this sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test the completeness of ordinary and special dividends, we agreed all dividends received on investments held from an independent data vendor to the income recorded by the Company. For all dividends accrued at the year end, we agreed the dividend entitlement to an independent data vendor and agreed the amount receivable to post year-end bank statements, if paid post year end. We assessed the appropriateness of the Company's classification of special dividends as revenue or capital with reference to publicly available information.	*What we reported to the Audit and Management Engagement Committee:* The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income. Based on the work performed we had no matters to report to the Audit and Management Engagement Committee.

Independent auditor's report

continued

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incorrect valuation or ownership of the investment portfolio and derivatives (as described on page 71 and 72 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 91 and notes 10 and 11 to the financial statements). The valuation of the investment portfolio is $305.10m (2019: $393.58m). The derivative financial assets and liabilities held at fair value through profit or loss amounted to $1.66m and $(1.67)m respectively (2019: $3.41m and $(1.06)m respectively). The valuation of the instruments held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the instruments held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date. The fair value of derivative instruments is based on the bid prices of the underlying securities in respect of long contract-for-difference ('CFD') positions, and the offer prices in respect of short CFD positions.	*We performed the following procedures:* We obtained an understanding of BNYM's process surrounding investment and derivative pricing by reviewing their internal control reports and performing our walkthrough procedures. For the equity investments and derivatives in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment and derivative valuations as at the year-end. We inspected the stale pricing reports produced by BNYM to identify prices that have not changed. We identified one stale priced investment, valued at $0.01m, which is manager priced and has been classified as a Level 3 investment. We compared the Company's investment holdings at 30 September 2020 to independent confirmations received directly from the Company's Custodian and Depositary, testing any reconciling items to supporting documentation. We agreed all year-end open derivative positions to confirmations received independently from the Company's brokers.	*What we reported to the Audit and Management Engagement Committee:* The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio. Based on the work performed we had no matters to report to the Audit and Management Engagement Committee.
Incorrect calculation of the performance fee (as described on page 72 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 90 and note 4 to the financial statements). No performance fee was payable for the year ended 30 September 2020 (2019: $Nil). The performance fee is calculated using a methodology as set out in the Investment Management Agreement ("IMA") between the Company and the Manager. Incorrect calculation of this fee could have a material impact on the return generated for shareholders.	*We performed the following procedures:* We obtained an understanding of BNYM's process surrounding the calculation of the performance fee by reviewing their internal control reports and performing our walkthrough procedures. We agreed all inputs used in the calculation to the accounting records or the IMA and benchmark data to third party source information. We agreed the calculation methodology to the IMA, recalculated the cumulative relative outperformance of the NAV and the performance fee payable and concluded no performance fee was payable for the year.	*What we reported to the Audit and Management Engagement Committee:* The results of our procedures identified no material misstatement in relation to incorrect calculation of the performance fee. Based on the work performed we had no matters to report to the Audit and Management Engagement Committee.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of the going concern assumption being incorrectly applied, including consideration of the proposed tender offer and the impact of COVID-19 (as described on page 54 in the Directors' Report, page 72 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 89). The Directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they are obliged to consider the ability to meet its financial liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements. The Directors are also required to assess the adequacy of the going concern disclosures in the annual report and financial statements. When the Company was launched, the Board made a commitment that at each five-yearly interval, it would formulate and submit proposals to provide shareholders with an opportunity to realise the value of their ordinary shares at the applicable NAV per ordinary share less applicable costs. The Board is putting proposals for a Tender Offer of up to 100% of the Company's ordinary shares in issue to shareholders this year which will be voted on at the forthcoming AGM in early 2021. There is a risk that the demand to exit will be at a level which would jeopardise the ongoing viability of the Company. Furthermore, the COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. As of the date of our audit report, the longer-term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements.	*We performed the following procedures:* We inspected the Directors' assessment of going concern, which includes consideration of the proposed tender offer and the impact of COVID-19 on revenue and cash forecasting. We have agreed the inputs and assumptions used in the assessment to our audit working papers and historically observed results of the Company. To assess the impact of the proposed tender offer on going concern, we considered the NAV performance, share price performance and the share price discount of the Company, for the past 12 months, to assess how these might impact the tender offer acceptance rates. We also reviewed the shareholder register to understand the shareholder mix and we considered and challenged management's assessment of the percentage of the shareholders likely to tender their shareholding. We have also reviewed correspondence with the Company's broker in respect of the level of anticipated tender acceptances and attended the Board meeting where it was discussed and challenged in further detail by the Board. We reviewed the adequacy of the going concern and COVID-19 disclosures by evaluating whether they were consistent with the Directors' assessment. We reviewed the disclosures for compliance with the reporting requirements.	*What we reported to the Audit and Management Engagement Committee:* As a result of our procedures, we have determined that the Directors' conclusion that there is no material uncertainty relating to going concern is appropriate. We have reviewed the disclosures relating to going concern and COVID-19 and determined that they are appropriate.

Independent auditor's report

continued

We re-assessed the risks determined in the prior year and, due to the proposed tender offer and the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Risk of the going concern assumption being incorrectly applied, including consideration of the proposed tender offer and the impact of COVID-19'. Our other Key Audit Matters are unchanged from the prior year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $3.06m (2019: $4.01m), which is 1% (2019: 1%) of net assets of the Company. We believe net assets to be the most important financial metric on which shareholders would judge the performance of the Company.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year end.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely $2.29m (2019: $3.01m). We have set our performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts we have also applied a separate testing threshold of $0.7m (2019: $1.08m) for the revenue column of the Statement of Comprehensive Income, being 5% of the net profit on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of $0.15m (2019: $0.20m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 75 and 119 to 138, other than the financial statements and our auditor's report thereon. The Directors are 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on pages 74 and 75** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and

provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Management Engagement Committee reporting set out on pages 70 to 74** – the section describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee or;
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 60 to 64** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements set out on page 75, the Directors are 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 Directors determine 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are IFRSs, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the AIC Code and section 1158 of the Corporation Tax Act 2010.

Independent auditor's report

continued

- We understood how BlackRock Frontiers Investment Trust plc is complying with those frameworks through discussions with the Audit and Management Engagement Committee and the Company Secretary and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We have reviewed that the Company's control environment is adequate for the size and operating model of such a listed investment Company.

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.

Other matters we are required to address

- We were appointed by the Company on 11 May 2011 to audit the financial statements for the period ending 30 September 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 10 years, covering periods from our appointment through to the period ending 30 September 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ASHLEY COUPS (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

10 December 2020

Notes:

1. The maintenance and integrity of the BlackRock Frontiers Investment Trust plc web site is the responsibility of BlackRock; 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of comprehensive income

for the year ended 30 September 2020

	Notes	Revenue 2020 US$'000	Revenue 2019 US$'000	Capital 2020 US$'000	Capital 2019 US$'000	Total 2020 US$'000	Total 2019 US$'000
Income from investments held at fair value through profit or loss	3	11,523	21,717	–	–	11,523	21,717
Net income from contracts for difference	3, 11	4,057	1,858	–	–	4,057	1,858
Other income	3	51	216	–	–	51	216
Total income		**15,631**	**23,791**	**–**	**–**	**15,631**	**23,791**
Net loss on investments held at fair value through profit or loss	10	–	–	(81,399)	(21,959)	(81,399)	(21,959)
Net loss on foreign exchange		–	–	(101)	(406)	(101)	(406)
Net (loss)/profit from contracts for difference	11	–	–	(6,163)	1,423	(6,163)	1,423
Total		**15,631**	**23,791**	**(87,663)**	**(20,942)**	**(72,032)**	**2,849**
Expenses							
Investment management and performance fees	4	(748)	(886)	(2,990)	(3,543)	(3,738)	(4,429)
Other operating expenses	5	(865)	(1,082)	(77)	(214)	(942)	(1,296)
Total operating expenses		**(1,613)**	**(1,968)**	**(3,067)**	**(3,757)**	**(4,680)**	**(5,725)**
Net profit/(loss) on ordinary activities before finance costs and taxation		**14,018**	**21,823**	**(90,730)**	**(24,699)**	**(76,712)**	**(2,876)**
Finance costs	6	(4)	(311)	(15)	(1,245)	(19)	(1,556)
Net profit/(loss) on ordinary activities before taxation		**14,014**	**21,512**	**(90,745)**	**(25,944)**	**(76,731)**	**(4,432)**
Taxation	7	(1,814)	(2,588)	602	339	(1,212)	(2,249)
Profit/(loss) for the year		**12,200**	**18,924**	**(90,143)**	**(25,605)**	**(77,943)**	**(6,681)**
Earnings/(loss) per ordinary share (cents)	9	**5.05**	**8.24**	**(37.32)**	**(11.15)**	**(32.27)**	**(2.91)**

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.

The Company does not have any other comprehensive income/(loss). The net profit/(loss) for the year disclosed above represents the Company's total comprehensive income/(loss).

The notes on pages 89 to 116 form part of these financial statements.

Statement of changes in equity

for the year ended 30 September 2020

	Notes	Called up share capital US$'000	Share premium account US$'000	Capital redemption reserve US$'000	Special reserve US$'000	Capital reserves US$'000	Revenue reserve US$'000	Total US$'000
For the year ended 30 September 2020								
At 30 September 2019		2,407	164,007	5,798	230,799	(18,374)	16,183	400,820
Total comprehensive income:								
Net (loss)/profit for the year		–	–	–	–	(90,143)	12,200	(77,943)
Transactions with owners, recorded directly to equity:								
Ordinary shares issued	16	11	1,987	–	–	–	–	1,998
Ordinary shares purchased into treasury	16, 17	–	–	–	(754)	–	–	(754)
Share issue costs	17	–	(10)	–	–	–	–	(10)
Share purchase costs	17	–	–	–	(5)	–	–	(5)
Dividends paid[1]	8	–	–	–	–	–	(18,122)	(18,122)
At 30 September 2020		**2,418**	**165,984**	**5,798**	**230,040**	**(108,517)**	**10,261**	**305,984**
For the year ended 30 September 2019								
At 30 September 2018		2,006	95,095	5,798	230,799	7,231	15,566	356,495
Total comprehensive income:								
Net (loss)/profit for the year		–	–	–	–	(25,605)	18,924	(6,681)
Transactions with owners, recorded directly to equity:								
Share issues		62	10,783	–	–	–	–	10,845
Share issue costs		–	(55)	–	–	–	–	(55)
Share issues – conversion of C shares		339	58,184	–	–	–	–	58,523
Dividends paid[2]	8	–	–	–	–	–	(18,307)	(18,307)
At 30 September 2019		**2,407**	**164,007**	**5,798**	**230,799**	**(18,374)**	**16,183**	**400,820**

[1] Final dividend of 4.75 cents per share for the year ended 30 September 2019, declared on 6 December 2019 and paid on 7 February 2020 and interim dividend paid in respect of the year ended 30 September 2020 of 2.75 cents per share, declared on 28 May 2020 and paid on 26 June 2020.

[2] Final dividend of 4.40 cents per share for the year ended 30 September 2018, declared on 10 December 2018 and paid on 7 February 2019 and special dividend paid in respect of the year ended 30 September 2018 of 1.00 cents per share, declared on 10 December 2018 and paid on 7 February 2019. Interim dividend paid in respect of the year ended 30 September 2019 of 3.00 cents per share, declared on 30 May 2019 and paid on 28 June 2019.

The notes on pages 89 to 116 form part of these financial statements.

Statement of financial position

as at 30 September 2020

	Notes	2020 US$'000	2019 US$'000
Non current assets			
Investments held at fair value through profit or loss	10	305,097	393,582
Current assets			
Other receivables	13	4,077	7,760
Derivative financial assets held at fair value though profit or loss – contracts for difference	11	1,664	3,414
Cash and cash equivalents	11	1,678	6,020
Cash collateral held with brokers	11	488	40
Total current assets		**7,907**	**17,234**
Total assets		**313,004**	**410,816**
Current liabilities			
Bank overdraft		(209)	–
Other payables	14	(2,378)	(5,211)
Derivative financial liabilities held at fair value though profit or loss - contracts for difference	11	(1,674)	(1,056)
Cash collateral received	11	(2,740)	(3,710)
Total current liabilities		**(7,001)**	**(9,977)**
Total assets less current liabilities		**306,003**	**400,839**
Non current liabilities			
Management shares of £1.00 each (one quarter paid)	15	(19)	(19)
Net assets		**305,984**	**400,820**
Equity attributable to equity holders			
Called up share capital	16	2,418	2,407
Share premium account	17	165,984	164,007
Capital redemption reserve	17	5,798	5,798
Special reserve	17	230,040	230,799
Capital reserves	17	(108,517)	(18,374)
Revenue reserve	17	10,261	16,183
Total equity		**305,984**	**400,820**
Net asset value per ordinary share (cents)	9	**126.85**	**166.54**

The financial statements on pages 85 to 116 were approved and authorised for issue by the Board of Directors on 10 December 2020 and signed on its behalf by Mr Twiston-Davies, Chairman.

BlackRock Frontiers Investment Trust plc

Registered in England, No. 7409667

The notes on pages 89 to 116 form part of these financial statements.

Cash flow statement

for the year ended 30 September 2020

	2020 US$'000	2019 US$'000
Operating activities		
Net loss on ordinary activities before taxation	(76,731)	(4,432)
Add back finance costs	19	1,556
Net loss on investments and contracts for difference held at fair value through profit or loss (including transaction costs)	86,049	17,258
Net loss on foreign exchange	101	406
Sales of investments held at fair value through profit or loss	190,673	298,919
Purchases of investments held at fair value through profit or loss	(190,331)	(355,397)
Sales of Cash Funds[1]	185,584	307,793
Purchases of Cash Funds[1]	(178,840)	(278,045)
Amounts paid for losses on closure of contracts for difference	(56,588)	(67,119)
Amounts received on gains on closure of contracts for difference	54,305	70,065
Increase in other receivables	(480)	(16)
(Decrease)/increase in other payables	(941)	1,546
Decrease/(increase) in amounts due from brokers	4,163	(6,971)
Decrease in amounts due to brokers	(1,905)	(4,182)
Net cash collateral (pledged)/received	(1,418)	13,850
Taxation paid	(1,198)	(2,266)
Net cash inflow/(outflow) from operating activities	**12,462**	**(7,035)**
Financing activities		
Interest paid	(19)	(43)
Cash proceeds from ordinary share issues	1,998	10,845
Ordinary shares purchased into treasury	(754)	–
Ordinary share issue costs paid	(10)	(55)
Ordinary share purchase costs paid	(5)	–
Cash proceeds from C share issue	–	9,853
Cash received from BlackRock Emerging Europe Plc	–	7,353
C share issue costs paid	–	(610)
Dividends paid	(18,122)	(18,307)
Net cash (outflow)/inflow from financing activities	**(16,912)**	**9,036**
(Decrease)/increase in cash and cash equivalents	**(4,450)**	**2,001**
Effect of foreign exchange rate changes	(101)	(406)
Change in cash and cash equivalents	**(4,551)**	**1,595**
Cash and cash equivalents at the start of the year	6,020	4,425
Cash and cash equivalents at the end of the year	**1,469**	**6,020**
Comprised of:		
Cash at bank	1,678	6,020
Bank overdraft	(209)	–
	1,469	**6,020**

[1] Cash Funds represents funds held on deposit with BlackRock Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund.

The notes on pages 89 to 116 form part of these financial statements.

Notes to the financial statements

for the year ended 30 September 2020

1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010. The Company was incorporated on 15 October 2010, and this is the tenth Annual Report.

2. Accounting policies

The principal accounting policies adopted by the Company have been applied consistently, other than where new policies have been adopted and are set out below.

(a) Basis of preparation

The financial statements have been prepared under the historic cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. All of the Company's operations are of a continuing nature.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC) in October 2019, is compatible with IFRS, the financial statements have been prepared in accordance with the guidance set out in the SORP.

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the loss arising from disposals of investments of $67,819,000 (2019: loss of $26,924,000) and loss on revaluation of investments of $13,580,000 (2019: gain of $4,861,000) have now been combined, as shown in note 10 to the financial statements. The result of this change in presentation has no impact on the net asset value or total return for both the current year and prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

Substantially, all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors have determined that it is appropriate for the financial statements to be prepared on a going concern basis. The Directors have considered any potential impact of the COVID–19 pandemic and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience on the going concern of the Company. The Directors have reviewed the potential impact of the cash exit offer to the shareholders' income and expense projections and the liquidity of the investment portfolio in making their assessment.

The Company's financial statements are presented in US Dollars, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand dollars (US$'000) except where otherwise indicated.

IFRS standards that have been recently adopted:

IFRS 16 Leases

The Company adopted IFRS 16 as of the date of initial application of 1 October 2019. IFRS 16 specifies accounting for leases and removes the distinction between operating and finance leases. This standard is not applicable to the Company as it has no leases.

IFRIC 23 Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23 as of the date of initial application of 1 October 2019. IFRIC 23 seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements and it could potentially require the Company to recognise tax reclaims filed with HMRC if their recoverability becomes more than probable. The adoption of this interpretation has had no impact on the financial statements of the Company.

IFRS standards that have yet to be adopted:

Amendments to IFRS 3 – definition of a business (effective 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standards Board, application of the current guidance is commonly thought to be too complex and it results in too many transactions qualifying as business combinations. The standard has been endorsed by the EU. This standard is unlikely to have any impact on the Company.

Amendments to IAS 1 and IAS 8 – definition of material (effective 1 January 2020). The amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs require companies to:

(i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;

(ii) clarify the explanation of the definition of material; and

(iii) incorporate some of the guidance of IAS 1 about immaterial information.

This standard has been endorsed by the EU. This standard is unlikely to have any impact on the Company.

Notes to the financial statements

continued

2. Accounting policies continued

Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform (effective 1 January 2020). These amendments provide certain reliefs in connection with the interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the Inter Bank Offer Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

This standard has been endorsed by the EU. This standard is unlikely to have any significant impact on the Company.

IFRS 17 – insurance contracts (effective 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard has not been endorsed by the EU. This standard is unlikely to have any impact on the Company as it has no insurance contracts.

(b) C share liability

On 27 November 2018 the Company issued 44,927,580 C shares with a nominal value of 10 cents each at a price of £1.00 per share. On 11 January 2019 the C shares were converted into Ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the Ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 7 January 2019 was 0.7547 Ordinary shares for every C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares into Ordinary shares, the C shares were delisted on 22 January 2019.

Whilst the C shares were in issue, the results, assets and liabilities attributable to the C shares were accounted for in a separate pool to the results, assets and liabilities of the Ordinary shares. A share of the management fee and other expenses for the period the C shares had been in issue was allocated to the C share pool.

C shares are recognised on issue at the fair value of the proceeds received less directly attributable transaction costs. After initial recognition, C shares are subsequently measured at amortised cost using the effective interest method. Amortisation is credited or charged to finance income or finance costs in the Statement of Comprehensive Income. Transaction costs are amortised to the earliest conversion period.

The C shares issued represented contracts for conversion into a variable number of Ordinary shares and therefore the C shares are classified as liabilities under IAS 32. The classification resulted in the issue costs and the return on the C shares being presented as finance costs in the Company's Statement of Comprehensive Income. The return on the C shares represented an increase in the assets attributable to the C shares over and above the proceeds raised from their issue.

(c) Presentation of the Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature has been presented alongside the Statement of Comprehensive Income.

(d) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex–dividend basis. Where no ex–dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends, if any, are treated as a capital or a revenue receipt depending on the facts or circumstances of each dividend. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Deposit interest receivable is accounted for on an accruals basis. Interest income from the Cash Fund is accounted for on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

(f) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue column of the Statement of Comprehensive Income, except as follows:

- expenses which are incidental to the acquisition or sale of an investment are charged to the capital column of the Statement of Comprehensive Income. Details of transaction costs on the purchases and sales of investments are disclosed within note 10 to the Financial Statements on page 98;

- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;
- the investment management fee and finance costs have been allocated 80% to the capital column and 20% to the revenue column of the Statement of Comprehensive Income in line with the Board's expected long term split of returns, in the form of capital gains and income, respectively, from the investment portfolio; and
- performance fees are allocated 100% to the capital column of the Statement of Comprehensive Income as fees are generated in connection with enhancing the value of the investment portfolio.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Where expenses are allocated between capital and revenue, any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(h) Investments held at fair value through profit or loss

In accordance with IFRS 9, the Company classifies its investments at initial recognition as held at fair value through profit or loss and are managed and evaluated on a fair value basis in accordance with its investment strategy and business model.

All investments are measured initially and subsequently at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales of investments are recognised at the trade date of the disposal.

The fair value of the financial investments is based on their quoted bid price at the financial reporting date, without deduction for the estimated selling costs. This policy applies to all current and non current asset investments held by the Company. The fair value of the P–Notes are, when held, based on the quoted bid price of the underlying equity to which they relate.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "Profits or losses on investments held at fair value through profit or loss". Also included within the heading are transaction costs in relation to the purchase or sale of investments.

For all financial instruments not traded in an active market, the fair value is determined by using various valuation techniques. Valuation techniques include market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (e.g., discounted cash flow analysis and option pricing models making use of available and supportable market data where possible). See note 2(p) below.

(i) Derivatives

The Company can hold long and short positions in contracts for difference (CFDs) which are held at fair value based on the bid prices of the underlying securities in respect of long positions, and the offer prices of the underlying securities in respect of short positions.

Profits and losses on derivative transactions are recognised in the Statement of Comprehensive Income. They are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature and are shown in the revenue column of the Statement of Comprehensive Income if they are of a revenue nature. To the extent that any profits or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

(j) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short–term in nature and are accordingly stated on an amortised cost basis.

(k) Dividends payable

Under IFRS, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the financial reporting date. Interim dividends should not be accrued in the financial statements unless they have been paid.

Notes to the financial statements

continued

2. Accounting policies continued

Dividends payable to equity shareholders are recognised in the Statements of Changes in Equity.

(l) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities and non–monetary assets held at fair value are translated into US Dollars at the rate ruling on the financial reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income as a revenue or capital item depending on the income or expense to which they relate. For investment transactions and investments held at the year end, denominated in a foreign currency, the resulting gains or losses are included in the profit/(loss) on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

(m) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

The Company's investment in the Cash Fund is managed as part of the Company's investment policy and, accordingly, this investment along with purchases and sales of this investment has been classified in the Statement of Financial Position as an investment and not as a cash equivalent as defined under IAS 7.

(n) Bank borrowings

Bank overdrafts and loans are recorded as the proceeds received. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income.

(o) Shares repurchased and held in treasury and share issues

The full cost of the share repurchase (including share repurchase costs) is charged to the special reserve.

Where shares are issued, amounts received to the extent of any surplus received in excess of the par value are taken to the share premium account.

Share issue costs are charged to the share premium account.

(p) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Income

	2020 US$'000	2019 US$'000
Investment income:		
UK dividends	59	139
Overseas dividends	9,541	14,573
Overseas special dividends	1,253	1,224
Overseas stock dividends	–	3,780
Interest from Cash Funds	809	1,942
Fixed interest income	–	59
Less provision for doubtful debts	(139)	–
Total investment income	**11,523**	**21,717**
Net income from contracts for difference	4,057	1,858
Deposit interest	51	216
Total income	**15,631**	**23,791**

Dividends and interest received in cash during the year amounted to US$12,566,000 and US$846,000 (2019: US$17,600,000 and US$2,007,000).

No special dividends have been recognised in capital (2019: US$104,000).

4. Investment management and performance fees

	2020			2019		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Investment management fee	748	2,990	3,738	886	3,543	4,429
Performance fees	–	–	–	–	–	–
Total	**748**	**2,990**	**3,738**	**886**	**3,543**	**4,429**

An investment management fee equivalent to 1.10% per annum of the Company's gross assets (defined as the aggregate net assets of the long equity and CFD portfolios of the Company) is payable to the Manager. In addition, the Manager is entitled to receive a performance fee at a rate of 10% of any increase in the NAV at the end of a performance period over and above what would have been achieved had the NAV since launch increased in line with the Benchmark Index, which, since 1 April 2018, is a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index.

For the purposes of the calculation of the performance fee, the performance of the Net Asset Value total return was measured against the performance of the benchmark indices on a blended basis.

For the year to 30 September 2020, the Company's NAV performance of -20.0% generated a deficit of US$49.46 million (2019: NAV performance of -1.5% generated a deficit of US$7.46 million) resulting in no performance fees for the year (2019: US$nil). The performance fee payable in any year is capped at an amount equal to 2.5% or 1% of the gross assets if there is any increase or decrease in the NAV per share at the end of the relevant performance period, respectively. Any capped excess outperformance for a period may be carried forward to the next two performance periods, subject to the then applicable annual cap. The performance fee is also subject to a high watermark such that any performance fee is only payable to the extent that the cumulative relative outperformance of the NAV is greater than what would have been achieved had the NAV increased in line with the Benchmark Index since the last date in relation to which a performance fee had been paid.

Under the terms of the C share issue in November 2018, BlackRock had agreed to waive the management fees payable by the Company up to the value of issue expenses that exceeded the capped amount of 1.00% of the gross proceeds from the issue of C shares. As the issue expenses exceeded the capped amount, the excess issue expenses of US$nil (2019: US$34,000) were offset against the investment management fee payable by the Company.

Notes to the financial statements

continued

5. Other operating expenses

	2020 US$'000	2019 US$'000
Allocated to revenue:		
Custody fee	274	366
Auditor's remuneration:		
– audit services	50	36
– other assurance services[1]	12	8
Registrar's fee	39	42
Directors' emoluments	212	201
Broker fees	39	38
Depositary fees[2]	29	44
Marketing fees	116	79
AIC fees	28	26
FCA fees	19	16
Printing and Postage fees	47	40
Employer NI contributions	22	20
Stock exchange listings	14	11
Legal and professional fees	13	12
Write back of prior year expenses[4]	(99)	–
Other administrative costs	50	143
	865	**1,082**
Allocated to capital:		
Custody transaction charges	77	214
	942	**1,296**
The Company's ongoing charges[3], calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding performance fees, finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non–recurring items, were:	1.36%	1.39%
The Company's ongoing charges[3], calculated as a percentage of average daily net assets and using the management fee and all other operating expenses and including performance fees but excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non–recurring items, were:	1.36%	1.39%

[1] Fees for non–audit services relate to the following services provided by the Auditor:
– £9,500 (US$12,000) (2019: £6,500 (US$8,000)) relating to the review of the interim financial statements.
– £nil (US$nil) (2019: £37,500 (US$49,000) (excluding VAT)) was paid in respect of the work on the Company's C share issue and conversion. These fees were included within the C share issue costs and were debited to finance costs in the Company's Statement of Comprehensive Income.

[2] All expenses other than depositary fees are paid in Sterling and are therefore subject to exchange rate fluctuations.

[3] Alternative Performance Measures, see Glossary on pages 128 to 131.

[4] Relates to prior year accrual for Directors expenses written back during the year.

For the year ended 30 September 2020, expenses of US$77,000 (2019: US$214,000) were charged to the capital column of the Statement of Comprehensive Income. These relate to transaction costs charged by the custodian on sale and purchase trades.

No fees were payable in 2020 or 2019 in relation to investing in new markets.

Details of the Directors' emoluments are given in the Directors' Remuneration Report on page 65.

6. Finance costs

	2020			2019		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Interest payable – bank overdraft	4	15	19	8	35	43
Amortisation of C share issue costs	–	–	–	122	488	610
Return on C Shares	–	–	–	181	722	903
Total	**4**	**15**	**19**	**311**	**1,245**	**1,556**

7. Taxation

(a) Analysis of charge/(credit) in year

	2020			2019		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Current tax:						
Corporation tax	615	(615)	–	1,029	(1,029)	–
Corporation tax – prior year adjustment	–	–	–	415	(415)	–
Overseas tax	1,199	–	1,199	1,144	–	1,144
Overseas tax on capital gains	–	13	13	–	1,105	1,105
Total taxation (note7(b))	**1,814**	**(602)**	**1,212**	**2,588**	**(339)**	**2,249**

(b) Factors affecting total tax charge/(credit) for the year

The taxation assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020			2019		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Profit/(loss) on ordinary activities before taxation	14,014	(90,745)	(76,731)	21,512	(25,944)	(4,432)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax 19.0% (2019: 19.0%)	2,663	(17,242)	(14,579)	4,087	(4,929)	(842)
Effects of:						
Non taxable overseas dividends	(2,037)	–	(2,037)	(3,010)	–	(3,010)
Non taxable overseas stock dividends	–	–	–	(86)	–	(86)
UK dividends	(11)	–	(11)	(26)	–	(26)
Capital gains tax on realised gains	–	–	–	–	1,105	1,105
Capital gains tax on unrealised gains	–	13	13	–	–	–
Losses on investments held at fair value through profit or loss	–	15,466	15,466	–	4,172	4,172
Foreign exchange loss	–	19	19	–	77	77
Net loss/(profit) from contracts for difference	–	1,171	1,171	–	(270)	(270)
Overseas tax suffered	1,199	–	1,199	1,144	–	1,144
Utilisation of brought forward management expenses	–	(44)	(44)	–	(349)	(349)
Disallowable expenses	–	15	15	64	270	334
Prior year adjustment	–	–	–	415	(415)	–
Total taxation charge/(credit) for the year (note 7(a))	**1,814**	**(602)**	**1,212**	**2,588**	**(339)**	**2,249**

Notes to the financial statements

continued

7. Taxation continued

The Company is exempt from UK corporation tax on capital gains provided it maintains its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. Due to the Company's intention to meet the conditions required to maintain its investment trust status, it has not provided for deferred UK corporation tax on any capital gains or losses.

At 30 September 2020 the Company had net surplus management expenses of US$3,898,000 (2019: US$4,130,000). A deferred tax asset has not been recognised in respect of these losses because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus management expenses. The estimated value of this unrecognised deferred tax asset at 30 September 2020 is US$741,000 (30 September 2019: US$702,000).

8. Dividends

Dividends paid on equity shares	Record date	Payment date	2020 US$'000	2019 US$'000
2019 final of 4.75 cents (2018: 4.40 cents) per ordinary share	3 January 2020	7 February 2020	11,472	9,034
2019 special dividend of nil cents per ordinary share (2018: 1.00 cents)	–	–	–	2,053
2020 interim of 2.75 cents (2019: 3.00 cents) per ordinary share	5 June 2020	26 June 2020	6,650	7,220
			18,122	**18,307**

The total dividends payable in respect of the year ended 30 September 2020 which form the basis of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts proposed, meet the relevant requirements as set out in this legislation.

Dividends paid, proposed or declared on equity shares	2020 US$'000	2019 US$'000
Interim dividend of 2.75 cents per ordinary share (2019: 3.00 cents)	6,650	7,220
Final proposed dividend of 4.25 cents per ordinary share (2019: 4.75 cents)[1]	10,251	11,472
	16,901	**18,692**

[1] based on 241,210,518 ordinary shares in issue on 8 December 2020.

9. Earnings and net asset value per ordinary share

Total revenue, capital return and net asset value per ordinary share are shown below and have been calculated using the following:

	Year ended 30 September 2020	Year ended 30 September 2019
Net revenue profit attributable to ordinary shareholders (US$'000)	12,200	18,924
Net capital loss attributable to ordinary shareholders (US$'000)	(90,143)	(25,605)
Total loss attributable to ordinary shareholders (US$'000)	**(77,943)**	**(6,681)**
Equity shareholders' funds (US$'000)	**305,984**	**400,820**
The weighted average number of ordinary shares in issue during the year, on which the return per ordinary share was calculated was:	241,513,563	229,597,290
The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was:	241,210,518	240,672,801
Return per ordinary share		
Revenue earnings per share (cents)	5.05	8.24
Capital loss per share (cents)	(37.32)	(11.15)
Total loss per share (cents)	**(32.27)**	**(2.91)**

	As at 30 September 2020	As at 30 September 2019
Net asset value per ordinary share (cents)	126.85	166.54
Ordinary share price (cents)[1]	120.62	162.66
Net asset value per ordinary share (pence)	98.12	135.15
Ordinary share price (pence)	93.30	132.00

[1] The Company's share price is quoted in Sterling and the above represents the US Dollar equivalent based on an exchange rate of $1.2928 to £1 as at 30 September 2020 (30 September 2019: $1.2323 to £1).

10. Investments held at fair value through profit or loss

	2020 US$'000	2019 US$'000
Equity investments held at fair value through profit or loss	240,632	322,391
Cash Fund	64,465	71,191
Total value of financial asset investments at 30 September	305,097	393,582
Opening book cost of investments	431,762	391,542
Investment holding losses	(38,180)	(43,041)
Opening fair value	393,582	348,501
Analysis of transactions made during the year:		
Purchases at cost	369,171	673,856
Sales proceeds received	(376,257)	(606,712)
Losses on investments	(81,399)	(22,063)[1]
Closing fair value	305,097	393,582
Closing book cost of investments	356,857	431,762
Closing investment holding losses	(51,760)	(38,180)
Closing fair value	**305,097**	**393,582**

[1] The 2019 gain on investment does not include the US$104,000 special dividend that was recognised in capital (please see note 3).

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10. Investments held at fair value through profit or loss continued

The Company received $376,257,000 (2019: $606,712,000) from investments sold in the year. The book cost of these investments when they were purchased was $444,076,000 (2019: $633,636,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the loss on disposals of investments of $67,819,000 (2019: loss of $26,924,000) and loss on revaluation of investments of $13,580,000 (2019: gain of $4,861,000) have now been combined in the note above. The result of this change in presentation has no impact on the net asset value or total return for both the current year and prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

Acquisitions at cost for the year ended 30 September 2019 includes investments of US$40,414,000 received as consideration from the C share issue pursuant to a rollover option in connection with reconstruction of BlackRock Emerging Europe plc.

During the year, transaction costs of US$286,000 (2019: US$528,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to US$500,000 (2019: US$530,000). All transaction costs have been included within the capital reserves.

11. Derivatives

The Company may use a variety of derivative contracts, including contracts for difference (CFDs) which are synthetic equities and are valued by reference to the market values of the investments' underlying securities.

The sources of the return under the derivative contracts (e.g. notional dividends, financing costs, interest returns and realised and unrealised gains and losses) are allocated to the revenue and capital accounts in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP. Notional dividend income or expense arising on long or short positions is apportioned wholly to the revenue account. Notional interest income on short positions is allocated wholly to the revenue account. Notional interest expense on long and short positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 20% to revenue and 80% to capital). Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated to capital. A summary of the various sources of return on the derivative contracts is given in the table below.

	2020			2019		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Net unrealised (losses)/gains relating to underlying price movements	–	(2,367)	(2,367)	–	1,858	1,858
Net realised (losses)/gains relating to underlying price movements	–	(2,283)	(2,283)	–	2,946	2,946
Notional dividend income on long positions	4,612	–	4,612	3,153	–	3,153
Notional dividend expense on short positions	(134)	–	(134)	(435)	–	(435)
Notional interest expense on long positions	(399)	(1,425)	(1,824)	(840)	(3,307)	(4,147)
Notional interest expense on short positions	(22)	(88)	(110)	(20)	(74)	(94)
Total return on derivative contracts for the year	**4,057**	**(6,163)**	**(2,106)**	**1,858**	**1,423**	**3,281**

The net fair values of derivative financial assets are set out in the table below:

	2020 US$'000	2019 US$'000
Amounts due from brokers in respect of revaluation gains on CFDs	1,664	3,414
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(1,674)	(1,056)
Total net derivative financial assets	**(10)**	**2,358**

Net realised losses on CFD positions of US$2,283,000 (2019: gains of US$2,946,000) comprised realised gains of US$54,305,000 (2019: US$70,065,000) and realised losses of US$56,588,000 (2019: US$67,119,000).

The Company invests in P–Notes and these are participatory notes issued by certain counterparty banks that are designed to offer the holder a return linked to the performance of a particular underlying equity security or market, and used where direct investment in the relevant underlying equity security or market is not possible for regulatory or other reasons. To the extent dividends are received on the securities to which the P–Notes are linked, these are taken to investment income in the revenue column of the Statement of Comprehensive Income. Changes in value of the P–Notes relating to movements in the underlying prices of the linked securities are taken to gains or losses on investments held at fair value in the capital column of the Statement of Comprehensive Income. At 30 September 2020 the Company held no P–Notes (2019: nil).

A summary of the returns from investment in P–Notes is given below:

	2020			2019		
	Revenue US$'000	**Capital US$'000**	**Total US$'000**	**Revenue US$'000**	**Capital US$'000**	**Total US$'000**
Profits on investments held at fair value through profit or loss						
Net gains on sale of P–Notes	–	–	–	–	1,719	1,719

As at 30 September 2020 the Company held cash and cash equivalent balances of US$1,678,000 (2019: US$6,020,000). The Company also pledged cash of US$488,000 (2019: US$40,000) on margin deposit accounts with counterparty brokers. This cash represents collateral posted to broker margin deposit accounts in relation to amounts due to brokers in respect of unrealised losses on open contracts for difference. The nature of the Company's portfolio means that the Company gains significant exposure to a number of markets through CFDs. The Company may be geared through the use of CFDs up to 140% of net assets. However, to the extent the Investment Manager has elected not to be geared, the Company will generally hold a level of cash (or equivalent holding in the Cash Fund) on its balance sheet representative of the difference between the cost of purchasing investments directly and the lower initial cost of making a margin payment on a CFD contract. The Company was geared through its use of CFDs as at 30 September 2020 and 2019 and the difference between the cost of direct investment and the purchase costs associated with holding the same exposures via long and short CFD contracts amounted to US$89,326,000 (2019: US$100,058,000). Had the Company been able to acquire all of the underlying CFD positions through direct equity investment, its cash position (taking into account cash invested in the Cash Fund at 30 September 2020 of US$64,465,000 (2019: US$71,191,000) at the year end would therefore have been lower by US$89,326,000 (2019: US$100,058,000).

As at 30 September 2020 the Company also owed US$2,740,000 (2019: US$3,710,000) to brokers in respect of cash collateral received relating to amounts owed by these brokers to cover unrealised gains on open contracts for difference. These cash balances are disclosed within cash and cash equivalents on the Statement of Financial Position of US$1,678,000 (2019: US$6,020,000), and an equivalent creditor of US$2,740,000 (2019: US$3,710,000) is also shown to reflect the economic entitlement of the broker to these deposits until such a time as the CFD contracts are closed out and the profits are realised. To the extent there are unrealised losses on CFD contracts, the Company will transfer deposit monies across to these broker margin deposit accounts. The Investment Manager monitors margin positions on a daily basis to ensure any margin deposit balances are minimised and any amounts owed to the Company are transferred on a timely basis. In the event of default, legal ownership of any monies held in the margin deposit accounts resides with the counterparty broker.

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12. C shares: financial liability

	2020 US$'000	2019 US$'000
Net proceeds from issue of C shares	–	57,010
Amortisation of C share issue costs	–	610
Return on C share liability	–	903
Extinguishment of C share liability upon conversion to Ordinary shares	–	(58,523)
	–	**–**

On 27 November 2018 the Company issued 44,927,580 C shares with a nominal value of 10 cents each at a price of £1.00 per share. On 11 January 2019 the C shares were converted into 33,906,693 ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 7 January 2019 was 0.7547 Ordinary shares for every C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares to ordinary shares, the C shares were delisted on 22 January 2019.

While the C shares were in issue, the results, assets and liabilities attributable to the C shares were accounted for in a separate pool from the results, assets and liabilities of the ordinary shares. A share of management fee and other expenses for the period the C shares had been in issue was allocated to the C share pool.

The table below gives a breakdown of the gross proceeds (excluding issue costs) from the issue of C shares during the year:

	2020 US$'000	2019 US$'000
Consideration received from C share issue pursuant to rollover option in connection with reconstruction of BlackRock Emerging Europe plc:		
Investments	–	40,414
Cash	–	7,353
	–	47,767
Proceeds from C share issue pursuant to placing and offer for subscription:		
Cash	–	9,853
Gross proceeds from issue of C shares	**–**	**57,620**

The tables below give a summary of the results of the C share pool up to the date of conversion.

For the period from issue to conversion on 11 January 2019	2020 US$'000	2019 US$'000
Gross proceeds from issue of C shares	–	57,620
C share issue costs	–	(610)
Net revenue income	–	114
Fair value gains on investments and contracts for difference	–	789
Finance costs – amortisation of C share issue costs	–	610
Value of C shares on conversion	**–**	**58,523**

13. Other receivables

	2020 US$'000	2019 US$'000
Amounts due from brokers	3,057	7,220
Prepayments and accrued income	1,020	540
	4,077	**7,760**

14. Other payables

	2020 US$'000	2019 US$'000
Amounts due to brokers	(68)	(1,973)
Accruals for expenses and interest payable	(2,297)	(3,238)
Taxation payable	(13)	–
	(2,378)	**(5,211)**

15. Non current liabilities – management shares

The management shares of £1 each carry the right to receive a fixed cumulative preferential dividend at the rate of 0.01% per annum on the nominal amount thereof, payable on demand and any such dividend is payable in priority to the payment of dividend to holders of any other class of shares. To the extent that there are no shares of any other class in issue, each management share carries one vote. To the extent there are shares of any other class in issue these shares do not carry any voting rights. On a return of assets of the Company, the holders of these management shares are entitled to be paid the amount paid up or treated as paid up on their share, such return payable in priority to the return to holders or any other class of shares. The management shares are not redeemable.

16. Called up share capital

	Ordinary shares in issue number	Treasury shares number	Total shares number	Nominal value US$'000
Allotted, called up and fully paid share capital comprised:				
Ordinary shares of 1 cent each:				
At 30 September 2019	240,672,801	–	240,672,801	2,407
Ordinary shares issued	1,150,000	–	1,150,000	11
Ordinary shares bought back into treasury	(612,283)	612,283	–	–
At 30 September 2020	**241,210,518**	**612,283**	**241,822,801**	**2,418**

The Company also has in issue 50,000 management shares which carry the right to a fixed cumulative preferred dividend. Additional information is given in note 15 to the Financial Statements.

During the year the Company issued 1,150,000 Ordinary shares (2019: 6,150,000) for a total gross consideration of US$1,998,000 (2019: US$10,845,000). A further nil (2019: 33,906,693) Ordinary shares were issued following the conversion of C shares. Please see note 12 for further details.

During the year the Company bought back and transferred to treasury 612,283 Ordinary shares (2019: nil) for a total consideration of US$759,000 (2019: US$nil).

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17. Reserves

			Distributable reserves			
	Share premium account	Capital redemption reserve	Special reserve	Capital reserve arising on investments sold	Capital reserve arising on revaluation of investments held	Revenue reserve
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 September 2019	164,007	5,798	230,799	17,434	(35,808)	16,183
Movement during the year:						
Total Comprehensive Income:						
Net loss for the year	–	–	–	(74,046)	(16,097)	–
Revenue return for the year	–	–	–	–	–	12,200
Transactions with owners:						
Ordinary shares issued	1,987	–	–	–	–	–
Ordinary shares purchased into treasury	–	–	(754)	–	–	–
Share issue costs	(10)	–	–	–	–	–
Share purchase costs	–	–	(5)	–	–	–
Dividends paid	–	–	–	–	–	(18,122)
At 30 September 2020	**165,984**	**5,798**	**230,040**	**(56,612)**	**(51,905)**	**10,261**

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. The special reserve may be used as distributable profits for all purposes and, in particular, for the repurchase by the Company of its ordinary shares and for payment as dividends. In accordance with the Company's status as an investment company under the provisions of section 1158 of the Corporation Tax Act 2010, net capital returns may be distributed by way of dividend.

18. Risk management policies and procedures

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at www.blackrock.com/uk/brfi for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM). However, as disclosed in the Corporate Governance Statement on page 60 and in the Statement of Directors' Responsibilities on page 75, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of the relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi–annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day–to–day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at www.blackrock.com/uk/brfi.

The AIFM is responsible for monitoring investment performance, product risk monitoring and oversight and has responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group (RQA) which is a centralised group which performs an independent risk management function. RQA independently identifies, measures and monitors investment risk and tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA has the ability to determine if the appropriate risk management processes are in place. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Audit and Management Engagement Committee twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit and Management Engagement Committee semi–annually. Any significant issues are reported to the Board as they arise.

The risk exposures of the Company are set out as follows:

(a) Market risk
Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in financial instruments in the face of market movements. The Company is also exposed to Frontier Markets fluctuations through CFDs which are valued based on the price of the underlying equity holding.

A key metric the RQA Group uses to measure market risk is Value-at-Risk (VaR) which encompasses price, currency and interest rate risk. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations, and the nature of the VaR measure, mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one–day VaR as at 30 September 2020 and 30 September 2019 (based on a 99% confidence level) was 4.95% and 1.73% respectively.

(i) Market risk arising from other price risk
Exposure to other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Company and the market price of its investments and could result in increased premiums or discounts to the Company's net asset value.

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID–19 was first detected in China in December 2019 and has now developed into a global pandemic. This coronavirus has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID–19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to an extent that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID–19 outbreak may exacerbate other pre–existing political, social and economic risks in certain countries or globally. The duration of the COVID–19 outbreak and its effects cannot be determined with certainty.

The Company is exposed to market price risk arising from its equity investments and CFDs. The movements in the prices of these investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by the VaR analysis under the market risk section above.

The Company's exposure to other changes in market prices at 30 September 2020 on its equity investments, excluding its holding in the Cash Fund, was US$240,632,000 (2019: US$322,391,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was US$89,316,000 (2019: US$118,670,000) through long positions and was US$nil (2019: US$16,254,000) through short positions.

Notes to the financial statements

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18. Risk management policies and procedures continued

Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

The economic exposures within the CFD portfolio can be closed out at anytime by the Company subject to the market liquidity.

Concentration of exposure to market risks

An analysis of the Company's investment portfolio is shown on pages 23 to 30. At 30 September 2020 this shows that the majority of the portfolio is invested in Indonesia, Saudi Arabia, Vietnam, the Philippines and Thailand. Accordingly, there is a concentration of exposure to those countries, though it is recognised that an investment's country of domicile or its listing does not necessarily equate to its exposure to the economic conditions in that country.

(ii) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency sensitivity has been covered by the VaR analysis under the market risk section.

The fair values of the Company's monetary items which have foreign currency exposure at 30 September 2020 and 30 September 2019 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2020	Indonesian Rupiah US$'000	Saudi Riyals US$'000	Vietnamese Dong US$'000	Philippine Peso US$'000	Thai Baht US$'000
Receivables (due from brokers, dividends and other income receivable)	–	–	–	102	–
Contracts for difference – long (gross exposure)	3,328	32,687	29,803	–	–
Cash and cash equivalents	–	–	–	11	–
Payables	–	–	–	–	–
Total foreign currency exposure on net monetary items	**3,328**	**32,687**	**29,803**	**113**	**–**
Investments at fair value through profit and loss that are equities	37,855	–	–	28,956	23,284
Total net foreign currency exposure	**41,183**	**32,687**	**29,803**	**29,069**	**23,284**

2020	Egyptian Pound US$'000	Euro US$'000	UK Sterling US$'000	Chilean Peso US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	–	–	993	–	971
Contracts for difference – long (gross exposure)	–	1,657	–	–	21,840
Cash and cash equivalents	357	–	–	–	1,225
Bank overdraft	–	–	(209)	–	–
Payables	–	–	(1,469)	–	(41)
Total foreign currency exposure on net monetary items	**357**	**1,657**	**(685)**	**–**	**23,995**
Investments at fair value through profit and loss that are equities	20,140	18,637	18,981	13,164	50,757
Total net foreign currency exposure	**20,497**	**20,294**	**18,296**	**13,164**	**74,752**

2019	Indonesian Rupiah US$'000	Thai Baht US$'000	Emirati Dirham US$'000	Vietnamese Dong US$'000	Egyptian Pound US$'000
Receivables (due from brokers, dividends and other income receivable)	–	–	–	–	–
Contracts for difference – long (gross exposure)	11,357	–	7,786	39,545	–
Contracts for difference – short (gross exposure)	–	–	–	(4,212)	–
Cash and cash equivalents	–	–	–	–	–
Payables	–	–	–	–	–
Total foreign currency exposure on net monetary items	**11,357**	**–**	**7,786**	**35,333**	**–**
Investments at fair value through profit and loss that are equities	41,268	38,524	28,596	–	33,293
Total net foreign currency exposure	**52,625**	**38,524**	**36,382**	**35,333**	**33,293**

2019	Malaysian Ringgit US$'000	Philippine Peso US$'000	Turkish Lira US$'000	Euro US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	173	107	517	–	255
Contracts for difference – long (gross exposure)	2,392	–	–	9,528	48,062
Contracts for difference – short (gross exposure)	–	–	–	–	(12,042)
Cash and cash equivalents	206	–	–	–	301
Payables	(109)	(707)	(517)	–	(727)
Total foreign currency exposure on net monetary items	**2,662**	**(600)**	**–**	**9,528**	**35,849**
Investments at fair value through profit and loss that are equities	20,792	22,347	20,697	10,078	62,929
Total net foreign currency exposure	**23,454**	**21,747**	**20,697**	**19,606**	**98,778**

Management of foreign currency risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Derivative contracts are not used to hedge against exposure to foreign currency risk.

Consequently, the Company is exposed to risks that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies.

Notes to the financial statements

continued

18. Risk management policies and procedures continued

(iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and on positions within the CFD portfolio. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the financing costs of the CFD derivative contracts. Interest rate sensitivity risk has been covered by the VaR analysis under market risk section.

Interest rate exposure

The exposure at 30 September 2020 and 30 September 2019 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re–set; and
- fixed interest rates – when the financial instrument is due for repayment.

	2020 Within one year US$'000	2019 Within one year US$'000
Exposure to floating interest rates:		
CFD derivative contracts		
– Notional long positions	(89,316)	(118,670)
– Notional short positions	–	16,254
Cash Fund	64,465	71,191
Cash and cash equivalents	1,678	6,020
Cash collateral held with brokers	488	40
Cash collateral received	(2,740)	(3,710)
Bank overdraft	(209)	–
	(25,634)	**(28,875)**

The Company is exposed to interest rate risk on positions within the CFD portfolio. The Company incurs charges on long and short positions when held. These are based on:

	US$ based	EUR based
Notional long positions	Overnight US Federal Funds Effective rate	Euro OverNight Index Average
Notional short positions	Overnight US Federal Funds Effective rate	Euro OverNight Index Average

Notional interest is determined on a gross basis; i.e. for this purpose long and short positions or exposures within the master agreements are not netted. Further details of notional interest arising in the year in relation to the CFD portfolio are given in note 11 to the Financial Statements on page 98.

The Company has additional exposure to interest rate risk in relation to its holding in the Cash Fund. Interest received on this holding in the year was on average 1.16% (2019: 2.02%). There were no money market deposits as at 30 September 2020 or 30 September 2019.

The Company does not have any fixed rate exposure at 30 September 2020 or 30 September 2019. Interest rates received on cash balances or paid on bank overdrafts, respectively, by major currency account are set out in the table below.

2020	Interest received %	Interest paid %
US Dollar	0.887	2.000
Sterling	0.299	3.232

2019	Interest received %	Interest paid %
US Dollar	1.875	4.000
Sterling	0.400	3.750

Management of interest rate risk
The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Company's investment guidelines permit it to be geared up to 140% of net assets through the use of derivatives or borrowings, although the Board currently envisages that any such net gearing will not exceed 130% of net assets. Derivative contracts are not used to hedge against exposure to interest rate risk.

(b) Counterparty credit risk
Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments and through its positions in long and short derivatives.

There were no past due assets as at 30 September 2020 (30 September 2019: nil).

The major counterparties engaged with the Company are all widely recognised and regulated entities. Short CFD positions, if held, are backed by sufficient margin cash to reduce risk.

Depositary
The Company's Depositary is The Bank of New York Mellon (International) Limited (BNYM or the Depositary) (S&P long–term credit rating as at 30 September 2020: AA– (2019: AA–)). All of the equity assets and cash of the Company are held within the custodial network of the global custodian appointed by the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 30 September 2020 is the total value of equity investments held with the Depositary and cash and cash equivalents in the Statement of Financial Position.

In accordance with the requirements of the depositary agreement, the Depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non–cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

The Company's listed investments are held on its behalf by BNYM's Asset Servicing division who act as the Company's custodian under a sub–delegation agreement with the Depositary (also BNYM). Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Notes to the financial statements

continued

18. Risk management policies and procedures continued

Counterparties/Brokers

The Company only invests directly in markets that operate on a "delivery versus payment" basis, and consequently most investment transactions in listed securities involve simultaneous delivery of securities against cash payment using an approved broker. The risk of default is considered minimal, and the trade will fail if either party fails to meet its obligation.

For a few markets that the Company invests in from time to time, although they operate on a "delivery versus payment" basis, there may be a very short time gap between stock delivery and payment, giving potential rise to counterparty credit risk with the broker in relation to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used for those markets. The Company monitors the credit rating and financial position of the broker used to further mitigate this risk.

Cash held as security by the counterparty to financial derivative contracts is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, the collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long term credit rating of any one counterparty (or its ultimate parent if unrated).

	Total number of counterparties	Maximum exposure to any one counterparty[1]	Collateral held[1]	Total exposure to all other counter parties[1]	Lowest credit rating of any one counterparty[2]
		US$'000	US$'000	US$'000	US$'000
2020	8	1,703	488	4,696	BBB+
2019	7	6,020	3,710	10,674	BBB+

[1] Calculated on a net basis.

[2] S&P ratings.

The Company may also be exposed to counterparty risk should there be any rehypothecation of collateral pledged with the counterparties. Collateral is received/paid where the client service agreement states that there should be collateral movements agreed with the counterparty, where there is a requirement for a mark–to–market process or collateralisation to ensure that the Company is protected against any counterparty default.

Over–the–counter ("OTC") financial derivative instruments

The Company may utilise both exchange traded and over–the–counter derivatives, including, but not limited to, CFDs and P-Notes, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The Company's current investment strategy specifically utilises CFDs. The CFDs utilised have a linear performance to the referenced stocks quoted on exchanges and therefore have a volatility profile similar to the underlying stocks.

Management of OTC financial derivative instruments

The gross value represents the aggregate of the long and short exposure without netting and so within this limit market exposure may be significantly less. The net exposure refers to the market exposure the Company has to the underlying securities on long CFD positions, less the market exposure of the underlying securities on which the Company has taken short positions. Further definitions are provided in the Glossary on page 128. To the extent derivatives are used to gear the Company's portfolio, maximum gross exposure through long and short CFDs will not exceed 150% of net assets and maximum net exposure will not exceed 130% of net assets. Short positions may not exceed 10% of net assets.

Exposures are monitored daily by the Investment Manager and its independent risk management team. The Company's board also reviews exposures regularly.

The CFD positions are diversified across sectors and geographies comprising 27 positions as at 30 September 2020 (2019: 41).

The gross and net underlying notional exposures within the CFD portfolio at 30 September 2020 and 30 September 2019 were:

	2020 US$'000	% of net assets	2019 US$'000	% of net assets
CFDs – gross exposure relating to long positions	89,316	29.2	118,670	29.6
CFDs – gross exposure relating to short positions	–	–	16,254	4.0
Gross economic exposure	89,316	29.2	134,924	33.6
Net market exposure	89,316	29.2	102,416	25.6

The economic exposures within the CFD portfolio can be closed out at any time by the Company subject to market liquidity. Details of securities and exposures to market risk, interest rate risk and credit risk implicit within the CFD portfolio are given in note 18(a)(i), 18(a)(ii), 18(a)(iii), 18(b) and 18(c) to the Financial Statements.

Collateral

The Company engages in activities which may require collateral to be provided to a counterparty ("Pledged Collateral") or may hold collateral received ("Inbound Collateral") from a counterparty. Pledged and Inbound cash collateral is paid/received in US Dollars. The Company uses inbound collateral received from a counterparty to reduce the counterparty credit risk associated with any trading activity in which the Company has engaged.

The collateral received/posted by the Company under the ISDA Master Agreement in respect of variation margin is transferred bilaterally under a title transfer arrangement. Collateral received by the Company in respect of variation margin is held in an account in the name of the Depositary on behalf of the Company. Collateral received is segregated from the assets belonging to the Company's Depositary.

At 30 September 2020, all cash collateral received by the Company in respect of CFD transactions was re-invested in the Cash Funds managed by the Manager or its affiliates as disclosed in the Schedule of Investments. The Company is the legal owner of Inbound collateral and can sell the assets and withhold the cash in the case of default. All cash received or posted as collateral has an open maturity tenor as it is not subject to a contractual maturity date.

The returns earned by the Company from the reinvestment of cash collateral in Cash Funds during the year ended 30 September 2020 was 1.08% (2019: 2.48%).

Cash collateral pledged by the Company is separately identified as an asset in the Statement of Financial Position and is not included as a component of cash and cash equivalents. Inbound cash collateral received by the Company is reflected as a liability on the Statement of Financial Position as cash collateral payable. The cash is subject to certain counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

The fair value of inbound cash collateral and cash collateral pledged is reflected in the table below:

	Pledged collateral		Inbound collateral	
	30 September 2020 US$'000	30 September 2019 US$'000	30 September 2020 US$'000	30 September 2019 US$'000
Cash collateral	488	40	(2,740)	(3,710)

Receivables

Amounts due from brokers are disclosed on the Statement of Financial Position as receivables. The counterparties included in receivables are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk Team (RQA CCR). The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

Notes to the financial statements

continued

18. Risk management policies and procedures continued

In summary, the exposure to credit risk at 30 September 2020 and 30 September 2019 was as follows:

	2020 3 months or less US$'000	2019 3 months or less US$'000
Cash at bank and on deposit and held as collateral with brokers	1,678	6,060
Cash Fund	64,465	71,191
CFD positions – amounts due from brokers	1,664	3,414
Other receivables (amounts due from brokers, dividends and interest receivable)	4,077	7,760
	71,884	**88,425**

The following table details the Company's exposure to CFDs and net cash collateral (received/pledged in US Dollars) analysed by counterparty as at the balance sheet date:

2020 Name of counterparty	Counterparty Country of Incorporation	Receivable/ (payable) for CFDs US$'000	Cash Collateral (received)/ pledged US$'000
HSBC	United Kingdom	467	(1,150)
Deutsche Bank AG	United Kingdom	–	40
Citibank N.A	United Kingdom	(175)	(1,590)
Bank of America Merrill Lynch	United Kingdom	(168)	448
Morgan Stanley	United Kingdom	(128)	–
Credit Suisse	Switzerland	(6)	–
		(10)	**(2,252)**

2019 Name of counterparty	Counterparty Country of Incorporation	Receivable/ (payable) for CFDs US$'000	Cash Collateral (received)/ pledged US$'000
HSBC	United Kingdom	1,257	(1,370)
Deutsche Bank AG	United Kingdom	(24)	40
Citibank N.A	United Kingdom	3	(1,540)
Bank of America Merrill Lynch	United Kingdom	113	(800)
Morgan Stanley	United Kingdom	(69)	–
Credit Suisse	Switzerland	1,078	–
		2,358	**(3,670)**

Management of counterparty credit risk

RQA CCR are responsible for the risk management of the Company, with duties comprising of identifying, monitoring and managing risk, including counterparty credit risk. RQA CCR are supported in this role by the Investment Manager.

The counterparty/credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and with counterparties selected by RQA CCR on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by the Investment Manager;
- The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set limits on the amount that may be due from any one broker.

The Board monitors the Company's counterparty risk by reviewing:

- the semi–annual report from the Depositary, which includes the results of periodic site visits to the Company's custodian where controls are reviewed and tested;
- the custodian's Service Organisation Control (SOC 1) reports which include a report by the custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the custodian's control processes;
- the Manager's internal control reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes; and
- in addition, the Depositary and the Manager report to the Board any significant breaches or issues arising as soon as these are identified.

Offsetting disclosures

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an ISDA Master Agreement or similar agreement with its OTC derivative contract counterparties. An ISDA Master Agreement is an agreement between the Company and the counterparty that governs OTC derivative contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Company has a contractual right to offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

For financial reporting purposes, the Company does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Financial Position. The disclosures set out in the following table include financial assets and financial liabilities that are subject to an enforceable master netting agreement or similar agreement.

At 30 September 2020 and 2019, the Company's derivative assets and liabilities (by type) were as follows:

	At 30 September 2020		At 30 September 2019	
	Assets	Liabilities	Assets	Liabilities
Derivatives	**US$'000**	**US$'000**	**US$'000**	**US$'000**
CFD position – long positions	1,664	(1,674)	3,128	(1,056)
CFD position – short positions	–	–	286	–
Total derivative assets and liabilities in the Statement of Financial Position	**1,664**	**(1,674)**	**3,414**	**(1,056)**

Notes to the financial statements

continued

18. Risk management policies and procedures continued

The following table presents the Company's derivative assets and liabilities by counterparty, net of amounts available for offset under a master netting agreement and net of any related collateral paid by the Company as at 30 September 2020 and 2019:

Counterparty	Derivative assets subject to a master netting agreement US$'000	Derivatives available for offset US$'000	Non–cash collateral US$'000	Inbound cash collateral US$'000	Net amount of derivative assets US$'000
As at 30 September 2020					
HSBC	1,445	–	–	(1,150)	295
Citibank N.A	112	–	–	(112)	–
Morgan Stanley	107	–	–	–	107
Total as at 30 September 2020	**1,664**	**–**	**–**	**(1,262)**	**402**
As at 30 September 2019					
HSBC	1,763	–	–	(1,370)	393
Credit Suisse	1,096	–	–	–	1,096
Bank of America Merrill Lynch	360	–	–	(360)	–
Citibank N.A	195	–	–	(195)	–
Total as at 30 September 2019	**3,414**	**–**	**–**	**(1,925)**	**1,489**

Counterparty	Derivative liabilities subject to a master netting agreement US$'000	Derivatives available for offset US$'000	Non–cash collateral US$'000	Pledged cash collateral US$'000	Net amount of derivative liabilities US$'000
As at 30 September 2020					
Bank of America Merrill Lynch	(6)	–	–	6	–
HSBC	(128)	–	–	–	(128)
Citibank N.A	(275)	–	–	–	(275)
Credit Suisse	(287)	–	–	–	(287)
Goldman Sachs	(978)	–	–	–	(978)
Total as at 30 September 2020	**(1,674)**	**–**	**–**	**6**	**(1,668)**
As at 30 September 2019					
Credit Suisse	(18)	–	–	–	(18)
Deutsche Bank AG	(24)	–	–	24	–
Morgan Stanley	(69)	–	–	–	(69)
Citibank N.A	(192)	–	–	–	(192)
Bank of America Merrill Lynch	(247)	–	–	–	(247)
HSBC	(506)	–		–	(506)
Total as at 30 September 2019	**(1,056)**	**–**	**–**	**24**	**(1,032)**

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk for margin calls on derivatives.

Liquidity risk exposure

The remaining undiscounted gross cash flows of the financial liabilities as at 30 September 2020 and 30 September 2019, based on the earliest date on which payment can be required, were as follows:

2020	3 months or less US$'000	Not more than one year US$'000	More than one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	2,378	–	–	2,378
Amounts due to CFD counterparty brokers in respect of collateral held on account	2,740	–	–	2,740
Bank overdraft	209	–	–	209
Derivative financial liabilities held at fair value through profit or loss	1,674	–	–	1,674
	7,001	**–**	**–**	**7,001**

2019	3 months or less US$'000	Not more than one year US$'000	More than one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	5,211	–	–	5,211
Amounts due to CFD counterparty brokers in respect of collateral held on account	3,710	–	–	3,710
Derivative financial liabilities held at fair value through profit or loss	1,056	–	–	1,056
	9,977	**–**	**–**	**9,977**

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. The Company is also exposed to liquidity risks from the leverage employed through exposure to long and short CFD positions. However, the timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is not significant as the Company's assets are investments in listed securities that are readily realisable.

The Company is also exposed to liquidity risks from the leverage employed through exposure to long and short CFD positions. The underlying securities of the CFD portfolio are all quoted investments that are readily realisable. Short CFD positions are, when held, backed by sufficient margin cash to reduce risk. The Company does not have a committed overdraft facility in place. Additional cash is held within the portfolio to further mitigate risk.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Portfolio Managers review daily forward-looking cash reports which project cash obligations. These reports allow them to manage their obligations.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

(d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(h) to the Financial Statements on page 91.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset.

Notes to the financial statements

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18. Risk management policies and procedures continued

The fair value hierarchy has the following levels:

Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

As at the year end the CFDs were valued using the underlying equity bid price and the inputs to the valuation were the exchange rates used to convert the CFD valuation from the relevant local currency in which the underlying equity was priced to US Dollars at the year end date. There have been no changes to the valuation technique since the previous year or as at the date of this report.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager.

Contracts for difference have all been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the market prices of the underlying quoted securities to which these contracts expose the Company.

Fair values of financial assets and financial liabilities

The table below sets out fair value measurements using IFRS 13 fair value hierarchy.

Financial assets at fair value through profit or loss at 30 September 2020	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	240,632	–	–	240,632
Cash Fund	64,465	–	–	64,465
Contracts for difference (fair value)	–	1,661	3	1,664
Liabilities:				
Contracts for difference (fair value)	–	(1,674)	–	(1,674)
	305,097	**(13)**	**3**	**305,087**

Financial assets at fair value through profit or loss at 30 September 2019	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	322,391	–	–	322,391
Cash Fund	71,191	–	–	71,191
Contracts for difference (fair value)	–	3,411	3	3,414
Liabilities:				
Contracts for difference (fair value)	–	(1,056)	–	(1,056)
	393,582	**2,355**	**3**	**395,940**

There were no transfers between levels of financial assets and financial liabilities during the year recorded at fair value as at 30 September 2020. The Company held 1 Level 3 long CFD security during the year ended 30 September 2020, which is also held at the year end. The Company held one Level 3 long CFD security throughout the year ended 30 September 2019.

A reconciliation of fair value measurement in Level 3 is set out below.

Level 3 Financial assets at fair value through profit or loss at 30 September	2020 US$'000	2019 US$'000
Opening fair value	3	3
Closing fair value	3	3

(e) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- to achieve long term capital growth, investing primarily in companies operating in or having exposure to Frontier Markets.

This is to be achieved through an appropriate balance of equity capital, investment in derivatives and structured financial instruments, and gearing. The maximum exposure the Company may have to derivatives and structured financial instruments for investment purposes and efficient portfolio management purposes, in aggregate, is 140% of the Company's portfolio. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance. The aggregate gearing of the Company in these circumstances is currently not anticipated to exceed 140% of net assets.

The Company's total capital as 30 September 2020 was US$305,984,000 (2019: US$400,820,000).

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and
- the need to buy back equity shares, either for cancellation or to be held in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject.

Notes to the financial statements

continued

19. Related party disclosure

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 65 to 69. At 30 September 2020, US$17,000 (£13,000) (2019: US$15,000 (£12,000)) was outstanding in respect of Directors' fees.

Significant Holdings

The following investors are:

a. funds managed by the BlackRock Group or are affiliates of BlackRock Inc. ("Related BlackRock Funds") or

b. investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company ("Significant Investors").

As at 30 September 2020

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
14.2	n/a	n/a

As at 30 September 2019

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
13.9	n/a	n/a

20. Transactions with Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on pages 52 and 53.

The investment management fee due for the year ended 30 September 2020 amounted to US$3,738,000 (2019: US$4,429,000). No performance fee is payable for the year (2019: US$nil). At the year end, US$1,740,000 was outstanding in respect of management fees (2019: US$2,385,000) and US$nil (2019: US$nil) was outstanding in respect of performance fees.

In addition to the above services, BlackRock has provided marketing services. The total fees paid or payable for these services for the year ended 30 September 2020 amounted to US$116,000 excluding VAT (2019: US$79,000) of which marketing fees of US$71,000 excluding VAT (2019: US$147,000) were outstanding as at year end.

The Company has an investment in the BlackRock Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund of US$64,465,000 (2019: US$71,191,000 held in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund) at the year end, which is a fund managed by a company within the BlackRock Group.

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc. a company incorporated in Delaware USA. During the period, PNC Financial Services Group, Inc. ("PNC") was a substantial shareholder in BlackRock, Inc. PNC did not provide any services to the Company during the financial year ended 30 September 2019 and the period up to the 11 May 2020 when PNC announced its intent to sell its investment in BlackRock, Inc. through a registered offering and related buyback by BlackRock, Inc.

21. Contingent liabilities

There were no contingent liabilities at 30 September 2020 (2019: nil).

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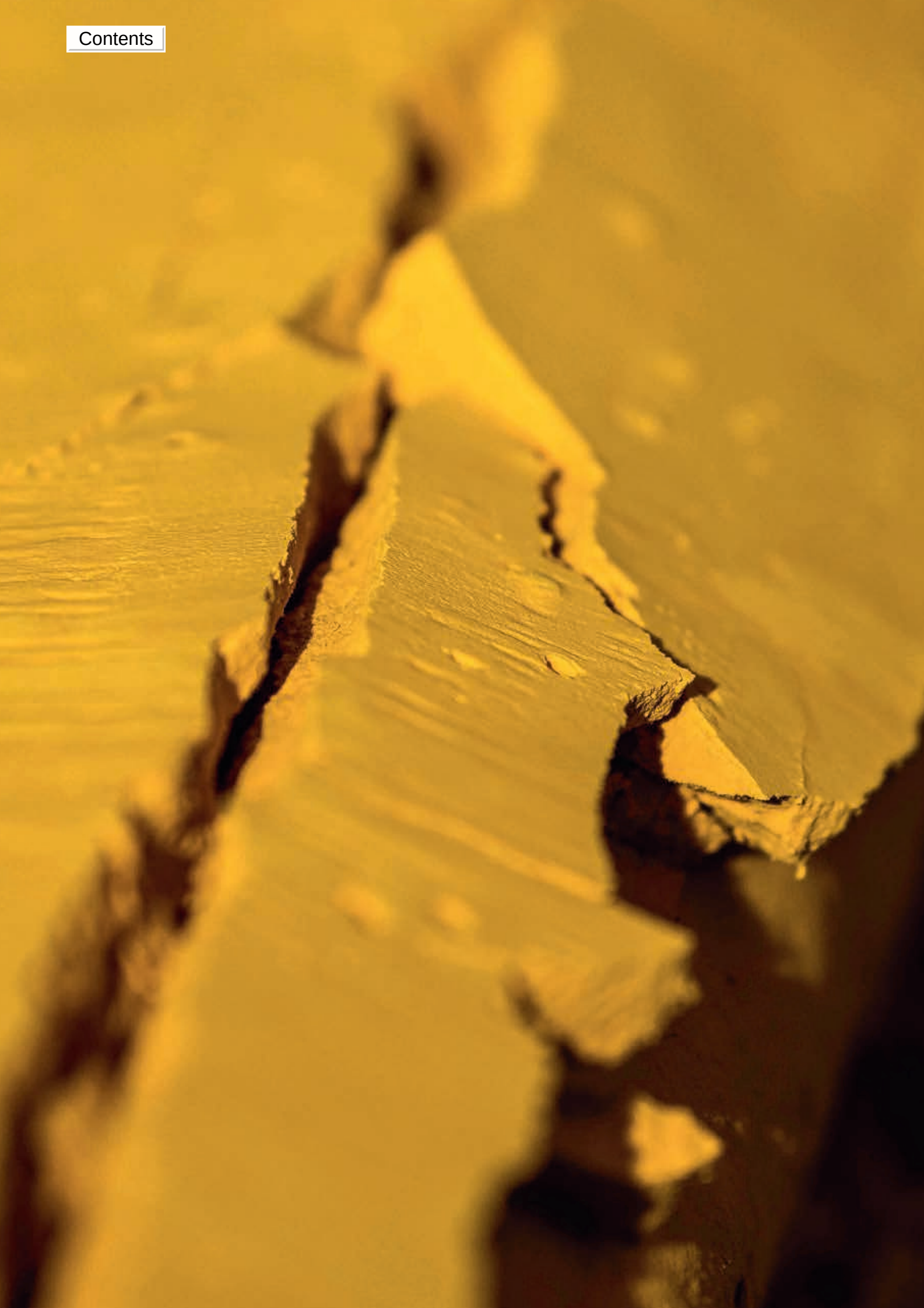

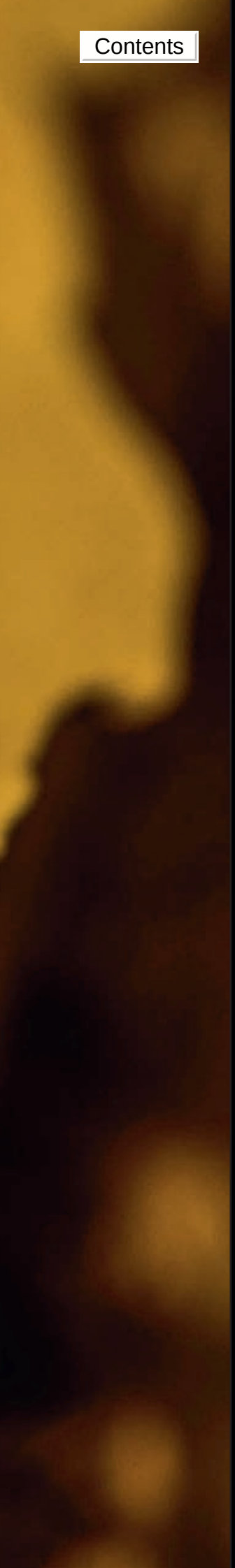

Additional information

Kazatomprom, the world's lowest cost uranium producer, also performed well in anticipation of demand outstripping supply for the foreseeable future. The company was responsible for over 40% of the world's primary uranium supply last year.

PHOTO COURTESY OF KAZATOMPROM

Analysis of shareholders

as at 30 September 2020

Analysis of categories as at 30 September 2020

	Holdings	%	Shares	%
Bank or Nominees	552	73.70	238,347,759	98.80
Individuals	171	22.83	1,320,939	0.55
Other Company	15	2.00	741,776	0.31
Other Corporate Body	4	0.53	355,108	0.15
Insurance Company	1	0.13	381,720	0.16
Investment Trust	4	0.54	63,213	0.03
Pension Trust	2	0.27	3	0.00
Total	**749**	**100.00**	**241,210,518**	**100.00**

Band Analysis as at 30 September 2020

Range in shares held	No. of shareholders	%	No. of Shares	%
1 – 1,000	76	10.13	39,643	0.02
1,001 – 5,000	216	28.80	589,366	0.24
5,001 – 10,000	109	14.53	798,942	0.33
10,001 – 100,000	195	26.00	6,683,469	2.77
100,001 – 500,000	77	10.27	18,505,359	7.67
500,001 – 1,000,000	25	3.47	18,486,789	7.67
1,000,001 and above	51	6.80	196,106,950	81.30
	749	**100.00**	**241,210,518**	**100.00**

Historical record

as at 30 September 2020

Year	Net assets	Net asset value per ordinary share	Ordinary share price per share[1]	Ordinary share price per share	Net revenue after taxation	Revenue return per share	Dividends per share
	US$m	cents	cents	pence	US$m	cents	cents
2011[2]	115.6	122.0	116.8	75.0	3.3	3.5	3.00
2012	128.3	135.4	130.4	80.8	3.9	4.1	3.80
2013	255.2	169.5	178.1	110.0	5.9	6.1	5.40[3]
2014	306.1	203.3	211.6	130.5	9.9	6.6	6.25
2015	242.4	160.9	157.2	103.8	9.9	6.6	6.55
2016	276.4	168.2	167.6	129.0	10.1	6.4	6.60
2017	350.2	196.9	199.9	149.0	13.1	7.7	6.90
2018	356.5	177.7	182.3	139.8	19.3	10.1	8.40[4]
2019	400.8	166.5	162.7	132.0	18.9	8.2	7.75
2020	306.0	126.9	120.6	93.3	12.2	5.1	7.00

1 Share price converted from Sterling at the exchange rate prevailing on 30 September.
2 Since launch on 17 December 2010 to 30 September 2011.
3 Includes special dividend of 3.40 cents per ordinary share.
4 Includes special dividend of 1.00 cent per ordinary share.

Management and other service providers

Registered Office
(Registered in England, No. 07409667)
12 Throgmorton Avenue
London EC2N 2DL

Alternative Investment Fund Manager[1]
BlackRock Fund Managers Limited[2]
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Investment Manager and Company Secretary
BlackRock Investment Management (UK) Limited[2]
12 Throgmorton Avenue
London EC2N 2DL
Email: cosec@blackrock.com

Depositary
The Bank of New York Mellon (International) Limited[2]
1 Canada Square
London E14 5AL

Registrar
Computershare Investor Services PLC[2]
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 4027

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London E14 5EY

Stockbrokers
Winterflood Securities Limited[2]
The Atrium Building
25 Dowgate Hill
London EC4R 2GA

Solicitors
Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

[1] BlackRock Fund Managers Limited (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.

[2] Authorised and regulated by the Financial Conduct Authority.

Shareholder information

Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

November/ December	Annual results
November/ December	Annual Report and Financial Statements published
January/February	Annual General Meeting
February	Final dividend paid
May	Half yearly figures to 31 March announced and half yearly financial report published
June/July	Interim dividend paid

Ordinary share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times and The Times under "Investment Companies" and in The Daily Telegraph under "Investment Trusts". The share price is also available on the BlackRock website at www.blackrock.com/uk/brfi.

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. The Board has arranged for all shareholders to receive their dividends in Sterling unless they elect otherwise. Shareholders who wish to receive their dividends in US Dollars should complete and return the enclosed Currency Election Form.

Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website investorcentre.co.uk, or by telephone on 0370 707 4027, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Confirmation of dividends paid will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

Dividend 2020

The proposed final dividend in respect of the year ended 30 September 2020 is 4.25 cents per ordinary share. Together with the interim dividend of 2.75 cents per share which was paid on 26 June 2020 to shareholders on the register on 5 June 2020, this gives a total dividend for the year ended 30 September 2020 of 7.00 cents per ordinary share.

Dividend timetable	Ordinary shares
Ex-dividend date:	31 December 2020
Record date:	4 January 2021
Last day for receipt of currency elections:	11 January 2021
Dividend payment date:	12 February 2021

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

	Ordinary shares
ISIN	GB00B3SXM832
SEDOL	B3SXM83
Bloomberg code	BRFI LN Equity
Ticker	BRFI

Dividend tax allowance

From April 2018, the annual tax free allowance on dividend income is £2,000.

Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a financial advisor.

Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. Alternatively, they can do so by creating a Trading Account at www.computershare.com/dealing/uk. To purchase this investment, you must have read the Key Information Document before the trade can be executed. Computershare can email or post this to you.

For existing shareholders, not looking to purchase shares, the Company's registrar, Computershare, has an internet and telephone share dealing service. The telephone share dealing service is available on 0370 703 0084. To access the internet share dealing service, you will need to access www.computershare.com/dealing/uk using your shareholder reference number, which can be found on paper or electronic communications that you have previously received from Computershare.

Internet dealing – The fee for this service is 1% of the value of the transaction (subject to a minimum of £30).

Telephone dealing – The fee for this service will be 1% of the value of the transaction (plus £50).

Shareholder information

continued

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Electronic communications

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation. Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting investorcentre.co.uk/ecomms. You will require your shareholder reference number which you will find on your share certificate or dividend confirmation.

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

Annual general meeting

The AGM of the Company is to be held at 12.00 noon on Tuesday, 2 February 2021. If you are unable to attend the meeting you can view a replay of the presentation on the Company's website at www.blackrock.com/uk/brfi. The Portfolio Managers present their overview of the year and the outlook for the coming months.

Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Publication of net asset value/portfolio analysis

The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at www.blackrock.com/uk/brfi and through the Reuters News Service under the code "BLRKINDEX", on page 8800 on Topic 3 (ICV terminals) and under "BLRK" on Bloomberg (monthly information only).

Online access

Other details about the Company are available on the BlackRock website at www.blackrock.com/uk/brfi. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at investorcentre.co.uk. To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.

- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.

- Outstanding payments – reissue payments using the online replacement service.

- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

Stocks and Shares Individual Savings Accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares Individual Savings Accounts. In the 2020/2021 tax year investors have an annual ISA allowance of £20,000 (2019/2020; £20,000) which can be invested in either cash or shares.

Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your share certificate, dividend confirmation statement or other electronic communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0370 707 4027.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

General enquiries

Enquiries about the Company should be directed to:

The Company Secretary
BlackRock Frontiers Investment Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000
Email: cosec@blackrock.com

AIFMD disclosures

Report on remuneration

The Alternative Investment Fund Managers' Directive (the AIFMD) requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at www.blackrock.com/uk/brfi and have applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

Quantitative remuneration disclosure

Disclosures in accordance with FUND 3.3.5, Article 22 (2)(e) and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation can be found on the Company's website at: www.blackrock.com/uk/brfi.

Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objective and policy, the Company may utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Further information on the definition of leverage can be found in the Glossary on page 129.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment leverage	Gross leverage
Leverage ratio – as at 30 September 2020	1.16	1.09
Leverage ratio – as at 30 September 2019	1.19	1.17

Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 18 in the notes to the financial statements on pages 102 to 115.

Pre investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at www.blackrock.com/uk/brfi.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
10 December 2020

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company or any subsidiary undertaking.

9.8.4 (7) The Company has allotted a total of 1,150,000 new ordinary shares during the year with a total nominal value of US$11,500 which were issued at an average price of 131.74p per share for a total consideration of £1,515,120 before the deduction of issue costs. Details of the allotments are set out in the following table.

Allottee	Number of issue transactions	Total shares issued	Price range (p)	Total consideration (£'000)	Average premium %
Winterflood Securities Limited	15	1,150,000	129.50 – 133.60	1,515	2.5

The Company is a stand-alone entity and therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
10 December 2020

Glossary

Alternative performance measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements.

The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Financial Report.

Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open ended funds and can therefore invest in less liquid investments.

Contracts for Difference (CFD)

A Contract for Difference is an agreement to exchange the difference in value of a particular share or index between the time at which a contract is opened and the time at which it is closed. A CFD allows an investor to gain access to the movement in the share price by putting down a small amount of cash known as a margin which can range between 1% and up to 80% of the market value of the underlying security.

CFDs do not have an expiry date like options or futures contracts. As opposed to an expiry date a CFD is effectively renewed at the close of each trading day and rolled forward if desired.

Discount and premium*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. As at 30 September 2020, the US Dollar equivalent share price was 120.62c (30 September 2019: 162.66c) and the NAV was 126.85c (30 September 2019: 166.54c), therefore the discount was 4.9% (30 September 2019: 2.3%) (please see note 9 of the financial statements on page 97 for the inputs to the calculation).

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 370c and the NAV 365c, the premium would be 1.4%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

Gearing and borrowings*

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital, investment in derivatives and structured financial instruments, and borrowings. The maximum exposure the Company may have to derivatives and structured financial instruments for investment purposes and efficient portfolio management purposes, in aggregate, is 140% of the Company's net assets. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance.

The Company's gross and net gearing through the use of long and short CFD positions as at 30 September 2020 and 30 September 2019 is set out in the table below.

Gross and net gearing	Page	30 September 2020 US$'000	30 September 2019 US$'000	
Equity investments	97	240,632	322,391	
Long CFD exposures	109	89,316	118,670	
Short CFD exposures	109	–	16,254	
Gross geared exposure		329,948	457,315	(a)
Net assets	87	305,984	400,820	(b)
Gross gearing % of net assets (c = a/b x 100)		**107.8%**	**114.1%**	**(c)**
Equity investments	97	240,632	322,391	
Long CFD exposures	109	89,316	118,670	
Short CFD exposures	109	–	(16,254)	
Net geared exposure		329,948	424,807	(d)
Net assets	87	305,984	400,820	(e)
Net gearing % of net assets (f = d/e x 100)		**107.8%**	**106.0%**	**(f)**

* Alternative performance measures.

Gross and net exposure

Market exposure gained through a CFD contract refers to the gross market value of the underlying securities to which the investor is exposed through the CFD contract.

Gross exposure refers to the total exposure the investor has through both long and short positions added together. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has gross market exposure of 130%.

Net exposure refers to the exposure the investor has through long positions less any short positions. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has net market exposure of 90%; this method of measurement is looking at the net directional market exposure and takes into account the fact that long and short positions theoretically offset one another when the market moves in a particular direction.

Leverage

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an "exposure" under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that "the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond" should be excluded from exposure calculations.

The Company is leveraged in accordance with the methodology set out in the AIFMD, as at 30 September 2020, however all derivative positions were backed by cash and the Company was not geared from this perspective, nor was it geared using the calculation methodology adopted and recommended by the AIC.

Net asset value per share (Cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 30 September 2020, equity shareholders' funds were worth US$305,984,000 and there were 241,210,518 ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 126.85 cents per ordinary share (please see note 9 of the financial statements for the audited inputs to the calculations).

Equity shareholders' funds are calculated by deducting from the Company's total assets, its current and long-term liabilities and any provision for liabilities and charges.

Net asset value per share (Capital only NAV)*

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Company's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is also the measure adopted by the Association of Investment Companies for preparation of statistical data. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 30 September 2020, equity shareholders' funds less the current year net revenue return (after interim dividends) amounted to US$300,434,000 and there were 241,210,518 ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 124.55 cents.

Equity shareholders' funds (excluding current period revenue) of US$300,434,000 are calculated by deducting from the Company's net assets (US$305,984,000) its current period revenue, (US$12,200,000) and adding back the interim dividend (US$6,650,000).

Ongoing charges ratio*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management fees.

As recommended by the AIC in its guidance, ongoing charges are the Company's management fee and all other operating expenses (excluding performance fees, finance costs, direct transaction costs, custody transaction charges,

* Alternative performance measures.

Glossary

continued

VAT recovered, taxation and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

Ongoing charges calculation	Page	30 September 2020 US$'000	30 September 2019 US$'000	
Management fee	93	3,738	4,429	
Other operating expenses	94	865	1,082	
Total management fee and other operating expenses		4,603	5,511	(a)
Performance fee	93	–	–	(b)
Total management and performance fees and other operating expenses (c = a + b)		4,603	5,511	(c)
Average net assets in the year		339,701	397,416	(d)
Ongoing charges in the year excluding performance fees (e = a/d)		**1.36%**	**1.39%**	**(e)**
Ongoing charges in the year including performance fees (f = c/d)		**1.36%**	**1.39%**	**(f)**

Participatory notes (P-Notes)

Participatory notes issued by certain counterparty banks are designed to offer the holder a return linked to the performance of a particular underlying equity security or market, and used where direct investment in the relevant underlying equity security or market is not possible for regulatory or other reasons.

Quoted securities and unquoted securities

Quoted securities are securities that trade on an exchange for which there is a publicly quoted price. Unquoted securities are financial securities that do not trade on an exchange for which there is not a publicly quoted price.

Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

Short and long exposures

CFDs enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks. Entering into a CFD that results in a profit where the share price movement falls is referred to as taking a short position. The counterparty pays the investor interest on the cash deposited with it which collateralises the short positions and deductions are made from the value of the short CFD contract in respect of dividends payable in relation to these stocks.

Entering into a CFD contract that results in a profit if the price of the stock rises is referred to as taking a long position. The investor pays a financing charge on long positions and receives payments from the counterparty in respect of dividends payable in relation to these long positions.

NAV and share price return (with dividends reinvested)*

Performance statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The performance measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/Share price (please see note 9 of the financial statements for the audited inputs to the calculations).

NAV total return – US Dollar	Page	30 September 2020	30 September 2019	
Closing NAV per share (cents)	97	126.85	166.54	
Add back interim and final dividends (cents)	96	7.50	8.40	
Effect of dividend reinvestment (cents)		(1.13)	0.07	
Adjusted closing NAV (cents)		133.22	175.01	(a)
Opening NAV per share (cents)	97	166.54	177.70	(b)
NAV total return (c = ((a – b)/b)) (%)		**(20.0)**	**(1.5)**	**(c)**

* Alternative performance measures.

Share price total return – US Dollar	Page	30 September 2020	30 September 2019	
Closing share price (cents)[1]	97	120.62	162.66	
Add back interim and final dividends (cents)	96	7.50	8.40	
Effect of dividend reinvestment (cents)		(1.43)	(0.32)	
Adjusted closing share price (cents)		126.69	170.74	(a)
Opening share price (cents)[1]	97	162.66	182.25	(b)
Share price total return (c = ((a – b)/b)) (%)		**(22.1)**	**(6.3)**	**(c)**

[1] Based on an exchange rate of $1.2928 to £1 at 30 September 2020 and $1.2323 to £1 at 30 September 2019.

NAV total return – Sterling	Page	30 September 2020	30 September 2019	
Closing NAV per share (pence)[1]	97	98.12	135.15	
Add back interim and final dividends (pence)	96	5.79	6.58	
Effect of dividend reinvestment (pence)		(0.86)	0.22	
Adjusted closing NAV (pence)		103.05	141.95	(a)
Opening NAV per share (pence)	97	135.15	136.26	(b)
NAV total return (c = ((a – b)/b)) (%)		**(23.8)**	**4.2**	**(c)**

[1] Based on an exchange rate of $1.2928 to £1 at 30 September 2020 and $1.2323 to £1 at 30 September 2019.

Share price total return – Sterling	Page	30 September 2020	30 September 2019	
Closing share price (pence)	97	93.30	132.00	
Add back interim and final dividends (pence)	96	5.79	6.58	
Effect of dividend reinvestment (pence)		(1.09)	(0.09)	
Adjusted closing share price (pence)		98.00	138.49	(a)
Opening share price (pence)	97	132.00	139.75	(b)
Share price total return (c = ((a – b)/b)) (%)		**(25.8)**	**(0.9)**	**(c)**

Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

Yield*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from performance (with dividends reinvested).

	Page	30 September 2020	30 September 2019	
Interim and final dividends paid/ payable (cents)[1]	96	7.00	7.75	(a)
Ordinary share price (cents)	97	120.62	162.66	(b)
Yield c = (a/b)(%)		**5.8**	**4.8**	**(c)**

[1] Comprising dividends declared/paid for the twelve months to 30 September.

* Alternative performance measures.

Annual general meeting

Charoen Pokphand Foods, a global agricultural conglomerate listed in Thailand, benefited from increasing per capita meat consumption across emerging markets, with pricing particularly strong as the company was able to avoid its herds being infected with African Swine Flu.

Notice of annual general meeting

Notice is hereby given that the next Annual General Meeting of BlackRock Frontiers Investment Trust plc (the Company) will be held at the offices of BlackRock Investment Management (UK) Limited, at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 2 February 2021 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 10, as ordinary resolutions and, in the case of resolutions 11 to 14, as special resolutions).

Resolution 2 is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the remuneration policy as set out in the future policy table on page 69.

Ordinary business

Ordinary resolutions

1. To receive the report of the Directors of the Company and the Financial Statements for the year ended 30 September 2020, together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2020.

3. To approve the payment by the Company of a final dividend of 4.25 cents per ordinary share in respect of the year ended 30 September 2020.

4. To re-elect Mr Audley Twiston-Davies as a Director.

5. To re-elect Mr Stephen White as a Director.

6. To re-elect Mr Sarmad Zok as a Director.

7. To re-elect Mrs Katrina Hart as a Director.

8. To reappoint Ernst & Young LLP as Auditor to the Company to hold office until the conclusion of the next Annual General Meeting of the Company.

9. To authorise the Audit and Management Engagement Committee to determine the Auditor's remuneration.

Special business

Ordinary resolution

10. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot ordinary shares of US$0.01 each in the capital of the Company ("Shares") and to grant rights to subscribe for or to convert any security into Shares ("Securities"), up to an aggregate nominal amount of US$241,210.51 (being 10% of the aggregate nominal amount of the issued ordinary share capital of the Company, excluding treasury shares, at the date of this notice), or, if different, such amount as represents 10% of the aggregate nominal amount of the issued ordinary share capital of the Company, excluding treasury shares, as at the date of the passing of this resolution, provided this authority shall expire at earlier of 31 March 2022 and the conclusion of the annual general meeting to be held in 2022 but so that the Company may, before such expiry, make any offer or agreement which would or might require Securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

Special resolutions

To consider and, if thought fit, pass the following resolutions as special resolutions:

11. That, in substitution for all existing authorities and subject to the passing of resolution 10, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot and make offers or agreements to allot equity securities (as defined in section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 10, as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

    (a) shall expire at the earlier of 31 March 2022 and the conclusion of the annual general meeting of the Company to be held in 2022, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;

(b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of US$241,210.51 (representing approximately 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice) or, if different, such amount as represents 10% of the Company's issued share capital as at the date of the passing of this resolution; and

(c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per ordinary share.

12. That, in addition to any existing authorities the Company be and it is hereby authorised in accordance with section 701 of the Act to make market purchases within the meaning of section 693(4) of the Act of Shares provided that:

(a) the maximum number of Shares hereby authorised to be purchased is 36,157,456 (being the equivalent of 14.99% of the Company's issued share capital, excluding treasury shares, at the date of this notice) or, if different, such amount as represents 14.99% of the Company's issued share capital, excluding treasury shares, as at the date of the passing of this resolution;

(b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1 cent (or the Sterling currency equivalent), being the nominal value per share;

(c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of:

(i) 5% above the average of the market value of a Share for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange; and

(ii) the higher of the price quoted for (a) the last independent trade of and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and

(d) the authority hereby conferred shall expire at the earlier of 31 March 2022 and the conclusion of the annual general meeting of the Company in 2022 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either:

(a) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or

(b) cancelled immediately upon completion of the purchase.

13. That the amended Articles as set out in the printed document produced to the meeting and marked 'A' (and for the purposes of identification initialled by the Chairman of the meeting) be hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association.

14. That, subject to the approval of the High Court of Justice in England and Wales, the amount standing to the credit of the share premium account of the Company be cancelled and credited to a distributable reserve.

By order of the Board

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
10 December 2020

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

Notice of annual general meeting

continued

Notes:

1. A member entitled to attend, speak and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.

2. To appoint a proxy you may use the form of proxy enclosed with this Annual Report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by 12.00 p.m. on Friday, 29 January 2021 (excluding non-working days). Amended instructions must also be received by the Company's registrar by the deadline for receipt of proxies. Alternatively you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 12.00 p.m. on 29 January 2021 (excluding non-working days).

3. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on Friday, 29 January 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

5. Any person (a "Nominated Person") receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (the Act) should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.

6. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.

7. Only shareholders registered in the register of members of the Company by not later than 6.00 p.m. on Friday, 29 January 2021 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the date of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar by 12.00 p.m. on Friday, 29 January 2021 (excluding non-working days). Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.

10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) by 12.00 p.m. on Friday, 29 January 2021 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting,

unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are laid before the meeting; or

    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:

    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or

    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:

    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    (b) it is defamatory of any person; or

    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 21 December 2020, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. Further information regarding the meeting which the Company is required by section 311A of the Act to publish on a website in advance of the meeting (including this Notice), can be accessed at www.blackrock.com/uk/brfi.

17. As at the date of this report, the Company's issued share capital comprised 241,822,801 ordinary shares of 1 cent each (612,283 of which are held in treasury) with 1 voting right per share, and 50,000 management shares of £1.00 each (which do not carry voting rights). Each ordinary share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 8 December 2020 is 241,210,518.

18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles. Copies of the Directors' letters of appointment will be available for inspection at the Company's registered office from 10 December 2020 until the time of the meeting and at the meeting venue itself for at least 15 minutes prior to the meeting until the end of the meeting.

Share fraud warning

Be ScamSmart

FCA FINANCIAL CONDUCT AUTHORITY

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- **contacted out of the blue**
- **promised tempting returns and told the investment is safe**
- **called repeatedly, or**
- **told the offer is only available for a limited time?**

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1. **Reject cold calls**
   If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the FCA Warning List**
   The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3. **Get impartial advice**
   Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at **www.fca.org.uk/scamsmart**

Remember: if it sounds too good to be true, it probably is!

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